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10 DOWNING STREET

*From the Private Secretary*

29 November 1985

**ANGLO-GERMAN SUMMIT:  
PLENARY SESSION**

I enclose a record of the Plenary Session of the Anglo-German Summit on 27 November. I am grateful to Mr. Dain for providing a draft.

I am copying this letter and enclosure to Rachel Lomax (Treasury), Richard Mottram (Ministry of Defence), John Mogg and Matthew Cocks (Department of Trade and Industry) and Michael Stark (Cabinet Office).

(Charles Powell)

Colin Budd, Esq.,  
Foreign and Commonwealth Office.

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RECORD OF THE PLENARY SESSION OF THE ANGLO-GERMAN SUMMIT HELD  
AT NO. 10 DOWNING STREET AT 1100 ON WEDNESDAY 27 NOVEMBER 1985

Present

Prime Minister	Chancellor Kohl
Sir Geoffrey Howe	Herr Genscher
Mr. Heseltine	Dr. Woerner
Mr. Channon	Herr Schlecht
Officials	Officials

The Prime Minister welcomed Chancellor Kohl and his colleagues. The meeting came at an important juncture, after the Geneva Summit and before the Luxembourg European Council. She and the Chancellor had reviewed the economic situation in the two countries, noting that the report of the Five Economic Institutes was optimistic about the prospects of the German economy. The outlook for the United Kingdom economy for the coming year was also encouraging.

The Prime Minister thanked the Chancellor for the Federal Republic of Germany's decision to maintain its abstention on the Falklands in the United Nations.

The United Kingdom hoped to sign an agreement with the United States before Christmas setting the framework for British participation in SDI research. The final details were now being negotiated.

Both sides welcomed the result of the Geneva Summit. Of particular significance was the fact that the Joint Statement issued by President Reagan and Mr. Gorbachev appeared to open the way for negotiations on intermediate nuclear weapons despite the continuing stalemate on START and SDI. But expectations had been created that concrete results would be achieved before the next Summit. This could increase the Soviet Union's scope to portray the SDI as the main obstacle to progress towards reduction in nuclear weapons.

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As regards the forthcoming European Council in Luxembourg, they had agreed that there was no need for Treaty amendment on monetary issues. The United Kingdom and FRG were the only member states without exchange control and the only two with freedom of capital movement. They had agreed that unanimity must be preserved on all matters to do with taxation. They had also discussed improved consultation arrangements for the European Assembly. These must leave the Council of Ministers with the last word.

Chancellor Kohl thanked the Prime Minister for her hospitality and welcome. He also attached special importance to close consultation at the present juncture. The Geneva Summit opened the possibility for a new era in East-West relations. As we approached the further United States/Soviet summits planned for 1986 and 1987 detail would become increasingly important. The Europeans, especially the United Kingdom and Germany, must work closely together. Our security could not be separated from that of the United States. History had shown that United States policy was not always consistent, and this made a European voice the more important. Transatlantic consultations must continue to be close. The United Kingdom and Germany must also consult closely on security matters.

The Chancellor saw psychological importance in a successful outcome for the Bundestag vote extending national service from 15 to 18 months. The climate had changed in the FRG. In March there had been large demonstrations against the measure. But public apprehensions had calmed. He hoped for a good majority in the Bundestag on a measure that would help the FRG's contribution to NATO.

The Chancellor praised the contribution of British Forces Germany and said he hoped to visit BAOR in the spring. This would be an opportunity to demonstrate publicly Germany's appreciation of BFG's role. He also attached importance to the contribution of American forces. The Prime Minister proposed that she and the Chancellor should pay a joint visit

to BFG at the time of their next regular meeting.

On European Community matters the Chancellor said that the Luxembourg Council marked a decisive moment for the Community. Everything possible should be done to make it a success. The internal market was a part of the Treaty of Rome and an impetus must be given to its completion. The United Kingdom and Germany were largely in agreement. He agreed that it was premature to consider amendments to the monetary provisions of the Treaty. Freedom of capital movements and convergence of economic policies had not yet been fully achieved, although some progress had been made. On standards he was concerned that there should be no attempt to move towards the lowest common denominator. The two governments took different views of the role of the European Parliament. He hoped the United Kingdom could accept the minimal proposal that was on the table. Now that the Parliament was universally elected, it was right that it should play a fuller role. He hoped for a step forward in Luxembourg. This European Council was of special importance for the FRG, whose links with the West were the basis for peace in Europe. The more Germany was tied to the West, the better for Europe. It was his intention to create as many links as possible, so that they could not be undone later. He looked for the support of Germany's friends in this.

The Chancellor congratulated the Prime Minister on the Anglo-Irish Agreement, which had Germany's full support. It was in Europe's wider interest that the question should be settled satisfactorily. Germany admired the resolution and courage which the British and Irish Governments had shown.

In the coming years it would be especially important to maintain close Anglo-German relations. "Family" differences might arise, but there was far more to unite than divide us. If there were differences, they should be cleared up quickly in discussion.

The Prime Minister thanked the Chancellor for his support over the Irish Agreement. She acknowledged that much hinged on close Anglo-German relations. She welcomed the fact that Britain and Germany saw eye to eye on many issues, in particular the importance of Alliance solidarity and the maintenance of an area of stability in Europe. This was also of comfort to those on the other side of the European divide.

FOREIGN AFFAIRS

Sir Geoffrey Howe noted that many of these points had also been covered in his discussion with Herr Genscher and added his appreciation for the German position on the Falklands.

On the European Community, he and Herr Genscher were agreed that, if there were to be progress at the Luxembourg Council, it would be necessary to focus on key issues. Anglo-German consultation so far had been close and should be maintained up to and during the Council. It was important that the meeting should not be derailed by surprises.

His discussion with Herr Genscher on the question of amending the monetary provisions had echoed that between the Prime Minister and the Chancellor. They were agreed on the need to work for convergence of economic policies but to resist new transfers of resources to Southern Member States. They both believed that the objectives set for the structural funds should be maintained. On the internal market they agreed that the aim should be to establish a "market (rather than "area") without internal frontiers", that is to say they were concerned with an economic entity rather than questions of police and frontier control. He had explained to Herr Genscher the importance for the United Kingdom of unanimity on questions of human, animal and plant health, and Herr Genscher had explained similar German concerns about the regulation of craft guilds and professions. On the European Parliament, it had been agreed that there should be no attempt to go beyond the text tabled by the Presidency. It had been agreed that

the Council should reduce the burden of regulations on small and medium-sized enterprises and that there should be a unit to monitor deregulation. It had been noted that the Community was close to agreement on a text on political cooperation. Herr Genscher had observed that the German language should be an official language of political cooperation. The United Kingdom saw practical difficulties arising if German were to be used at all levels.

Agreement had been reached on a series of measures to promote youth contacts, which was being publicly announced.

Herr Genscher had nothing to add to this report.

DEFENCE

Mr. Heseltine said he and Dr. Woerner had discussed the Strategic Defence Initiative, the European Fighter Aircraft and Westlands Helicopters.

On SDI research Mr. Heseltine had explained the United Kingdom's determination to ensure that as a result of any agreement with the United States technological transfer was equitable and that the scale of British participation reflected British capabilities. He had reached agreement in principle with the United States Defence Secretary and the details would be settled shortly in further discussions. He expected a formal agreement to be concluded soon.

On the EFA he and Dr. Woerner had agreed on the importance of abiding by the timetable for further work which had been agreed. Anything likely to introduce delay should be referred urgently to Ministers. They had discussed the recent French approach proposing co-operation on aspects of EFA and Rafale and had no objection in principle to this. But no firm proposal had been made by the French side. They had an open mind about possibilities for co-operation if real common interests could be identified. The similar approach from Mr. Weinberger was an example of the results which European

co-operation could bring. There could be possibilities for United States co-operation, provided it involved a genuine high technology flow of benefit to both sides. This would be explored further with the Italians and Spanish.

The two Ministers had agreed that the future of Westlands Helicopters had important implications for future procurement policy in both countries. The United Kingdom and FRG were the two largest customers. The role governments could play in the future of a private company was limited. But they had agreed to hold a meeting in London on 29 November to be attended by the National Armaments Directors and MBB, Aerospatiale and Agusta. Speed was needed and opportunities should not be missed. Westlands should be pressed to keep an open mind about offers which might be comparable with the offer from Sikorsky.

Dr. Woerner endorsed this report.

The Prime Minister noted that on MBFR there was agreement between the United Kingdom and the FRG on how to proceed and that the Americans had been persuaded to endorse the Anglo-German initiative.

Chancellor Kohl emphasised that he would like to see a European solution to the Westlands problem. It was important not to become more dependent on the United States. The FRG had opted for development of the next generation of Airbus so as not to have to rely on purchases over the next ten years from the United States. He valued the friendship of the United States, but business was business and Europe needed an alternative.

He wished also to mention a "point of detail". The FRG was a relatively small country with a high population and was full of military installations. There were environment problems, caused for example by low flying, which were a "running sore" in public opinion. The Bundeswehr observed strict rules over the use of firing ranges: Sunday firing was

prohibited. He would welcome it if Ministers of Defence could examine the training arrangements by British Forces Germany and take account of political considerations. The matter should not be left only to military officers, who were not always sensitive to "changes in psychology", and did not need to present themselves to the electorate. Training and its effect on the environment caused trouble at constituency level in the FRG. The Prime Minister expressed reservations about any further restrictions on military training, which could undermine the effectiveness of our forces. She agreed, however, that Ministers of Defence should examine the problem.

TRADE

Mr. Channon said that completion of the internal market was a high priority. The United Kingdom and Germany would work together to see the process was not blocked. But they were worried about the French tendency to link completion with external protectionism and with transfer of resources to Mediterranean countries (Herr Schlecht interjected "all countries"). This should be resisted.

On international trade they had discussed the prospects for a new GATT Round. The preparatory process should begin this week with the aim of reaching maximum consensus among participants.

It was agreed that Japan should be encouraged to adopt firm import targets. It was necessary to open the Japanese market further and to maintain pressure for a realistic Yen exchange rate.

On Tin the two sides had different legal advice, but the practical problems still needed to be tackled. The Commission had offered its good offices to seek a solution.



INDUSTRY

Herr Schlecht said that both a new GATT round and the completion of the internal market had a macro economic dimension in giving an impulse to growth and employment. It was not right to link the internal market with other fields. It had its own importance for growth in the European Community.

He had agreed with Sir Brian Hayes that the Eureka meeting at Hamburg had been a success. It was important to ensure that activities within the Eureka framework were market-oriented although some projects might require support from public funds.

As the Chancellor had said, the German side saw importance in completing the Airbus family with the TA9 and TAll medium and long range aircraft. Financial priorities needed to be established. The Germans detected reticence on the United Kingdom side over use of public funds for the Airbus family. The Prime Minister commented that, where funds were increased, savings had to be found elsewhere. Chancellor Kohl intervened to underline again the importance he attached to Airbus. When he had taken office much was said about giving up the Airbus project; but he had disagreed and the success measured in terms of orders was now considerable. Orders for the current model so far were already 220. But buyers needed assurance that the Airbus family would continue. United States tactics involved trying to persuade Lufthansa not to buy Airbus. He agreed with the principle that industry should not depend on money from the state. But in this case there might be need to make public funds available. The Prime Minister agreed that we needed a European capability in aircraft manufacture so as not to be dependent on the United States. But she understood that the break-even number of

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planes for the current project to become financially profitable was about 400.

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