

Ref. A04746

MR ALEXANDER

The budget can
be substantially
cut down
not

Prime Minister
to see. You have
already approved the format of
the talks. Are you content with
the list of subjects for discussion
at Bonn A?

Anglo-German Consultations: 11-12 May

AKH
23/4

The next in the series of six monthly Anglo-German consultations between the Prime Minister and the Federal Chancellor will be held in this country on 11-12 May.

2. The Prime Minister has said that she wishes to be accompanied by the Foreign and Commonwealth Secretary; the Chancellor of the Exchequer; the Minister of Agriculture, Fisheries and Food; and the Secretaries of State for Industry and Trade. Ministers of Defence will not be able to participate because of NATO Ministerial meetings in Brussels. We have told the Germans of our proposed Ministerial team, and expect them to be able to provide appropriate interlocutors. There were at one time some doubts about the availability of Agricultural Ministers because of an Agricultural Council. But it now seems likely that they will be able to be present.

3. The Federal Chancellor will arrive at Chequers on Monday 11 May, in time for a tete-a-tete lunch and talks with the Prime Minister. Herr Genscher will be with him, but will go to Bledlow for lunch and talks with Lord Carrington. Other German Ministers will fly direct to London for consultations with their opposite numbers, although we do not expect Herr Matthoefer until the early evening: he and Sir Geoffrey Howe will fly back from the Finance Council to arrive at Chequers in time for the plenary session at 1800. The Foreign Ministers will join the Heads of Government at about 1630, and in the early evening the other Ministers will come to Chequers for a plenary session and the Government dinner. Thereafter we expect the other Ministers to leave, with the Federal Chancellor and Herr Genscher staying overnight (at Chequers and Bledlow respectively), for a press conference at 0930 on Tuesday morning at RAF Halton. The Federal Chancellor and Herr Genscher will then leave from RAF Benson.



4. Following consultation with German officials, a list of likely subjects
--- for discussion has been drawn up. The list as it now stands is at Annex A.
Probably not all these subjects will be raised. But they will all be covered in
the briefing, since those that the Federal Chancellor does not raise may come
up in discussions between other Ministers. The Chancellor's remarks to
Sir Jock Taylor during the latter's introductory call suggest that he and
Herr Genscher themselves will be hoping for a broad strategic discussion on
ways for the Community to repair what they see as its current disarray, and on
how it and the Alliance are to cope with the growing political and economic
instability of the 1980s. Results of the French Presidential election (2nd Round
on 10 May) will become known either immediately before or during the consul-
tations: and the meeting falls usefully in the run-up to the Federal Chancellor's
visit to Washington planned for 20-23 May. Since both Heads of Government
will have visited Saudi Arabia shortly beforehand, discussion of Middle Eastern
affairs, and arms sales to the area, is likely to be fairly high on the agenda.
5. I attach at Annex B an assessment of British and likely German objectives
--- at the meeting, and at Annex C a suggested list of briefs, the preparation of
--- which will be co-ordinated by the Cabinet Office.

ROBERT ARMSTRONG

22 April 1981

Anglo-German Consultations: 11 May 1981

LIST OF SUBJECTS FOR DISCUSSION

1. European Community Questions

Community Budget, Restructuring and CAP Reform
Fisheries (if not settled)
Enlargement
Community External Relations
Steel
Development of Political Co-operation
Machinery
Preparation for the European Council
Other Internal Community Questions

2. Regional Questions

Afghanistan (including support for Pakistan)
Iran/Iraq, including Gulf Security and Iran Internal
Arab/Israel, including Lebanon
Southern Africa
Far East
Latin America and Caribbean

3. East-West and West-West Relations

Poland
Consultation Procedures (with the United States and within the Alliance generally, among the Ten and with Japan)
USSR and World Crisis Areas
Inner-German Relations and Berlin

4. Security Questions

SALT
TNF Modernisation and Arms Control
Other Arms Limitation Negotiations
CSCE and Proposed Conference for Disarmament in Europe
NATO
Defence Procurement Collaboration, including Policy on Arms Sales



5. Economic Questions

World Economic Prospects and Macro-Economic Policies

International Financial Questions

International Trade Questions (including EC/Japan)

Relations with Developing Countries

Energy (including short and long term prospects, and international energy co-operation machinery)

6. Bilateral Relations

Other Possibilities for 'thickening up' Relations (eg co-operation in scientific or technological research; Civil Service, cultural and youth exchanges)

British Forces, Germany (BFG)

1. think that list of general objectives seem like with purpose
We shall discuss

ANGLO-GERMAN CONSULTATIONS
11th-12th MAY 1981

ANNEX B

Budget
C.A.P.
Recent Middle East
Tornado
Include with ref. to Japan
any way else
Chancellor wants to
raise

UNITED KINGDOM OBJECTIVES

1. To remove any misconceptions on Chancellor Schmidt's part about the Government's determination to co-operate fully in the European Community's development and in Europe's response to external political and economic problems.
2. To exchange views on restructuring the EC budget and reform of the CAP with the aim of building on the common ground between us and developing co-operation on these issues.
3. To align British and German views on ~~emerging United States policies~~ and on how to handle current crises (Poland, the Gulf, Afghanistan), East-West relations, ~~the~~ Middle East and Western consultation mechanisms.
4. To reach a common assessment of the international economic situation, including energy prospects and policies and our relationship with developing countries and Japan.
5. To underline the importance of the British contribution to Western collective defence and to bring British and German views on defence and arms control questions closer together; to be in a position to respond to enquiries from Chancellor Schmidt about Arab, particularly Saudi, interest in Tornado sales.
6. To strengthen the Anglo-German relationship at the top level, to give an impulse to co-operation in other fields, and to encourage Chancellor Schmidt to give greater public emphasis to the value to the FRG of the relationship, comparable to that with other major partners.

PROBABLE GERMAN OBJECTIVES

1. To co-ordinate policies on major Community problems (especially budget restructuring and CAP reform) in advance of the United Kingdom Presidency and in the light of the French Presidential elections; and to explore Her Majesty's Government's attitude to the Community generally.
2. Given the need for a joint Western strategy in the face of the problems of the 1980s, to reach the widest possible measure of agreement on:
 - (i) The developing policies and attitudes of the new United States Administration and their implications.

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- (ii) Current world political issues (especially Poland, security issues, Southern Africa).
 - (iii) Current world economic issues e. g. prospects for Ottawa Economic Summit, North/South, OPEC surpluses, interest rates in the major Western economies, inflation, unemployment, prospects for resumed growth etc.
3. To assess for themselves the prospects for the United Kingdom economy and for the success of Her Majesty's Government's economic policies.
 4. To make it clear that Her Majesty's Government's contribution to defence in the central region is appreciated, and to encourage its continuance at at least the present levels.
 5. To seek Her Majesty's Government's assessment of the Middle East situation and to probe our intentions on Tornado following the Prime Minister's visit to Saudi Arabia.
 6. To develop a closer relationship with British Ministers over a broad front with the object of promoting, with France and the United States, stability in relationships in Europe and across the Atlantic.

LIST OF BRIEFS FOR ANGLO-GERMAN CONSULTATIONS
11th-12th MAY 1981

<u>TMV(81)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	FCO	as appropriate
2.	European Community Questions		
	(a) Steering Brief on the European Community	FCO	as appropriate
	✓(b) CAP Reform	MAFF	FCO
	✓(c) Restructuring the Community Budget	Treasury	FCO as appropriate
	✓(d) Fisheries	MAFF	FCO
	X(e) Enlargement	FCO	as appropriate
	✓(f) Steel	Industry	FCO
	X(g) External Community Questions	FCO	as appropriate
	? (h) Other Internal Community Questions	FCO	as appropriate
3.	Regional Questions	FCO	as appropriate
	(a) Afghanistan/Pakistan		
	(b) Arab/Israel		
	(c) Iran/Iraq and Other Middle East Questions		
	(d) Southern Africa		
	(e) Latin America and Caribbean		
	(f) Far East		

Simply we know there without any extra briefing

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<u>TMV(81)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
4.	X United States Policies and Transatlantic Relations	FCO	as appropriate
5.	X East-West Relations	FCO	as appropriate
6.	X International Economic and Financial Questions	FCO	Treasury
7.	X Relations with Developing Countries	FCO	Treasury Trade ODA
8.	✓ International Energy Questions	Energy	FCO Treasury
9.	Defence Matters	MOD	FCO Industry
10.	Arms Control and Disarmament	FCO	MOD
11.	✓ United Kingdom/Federal Republic of Germany Bilateral Relations	FCO	as appropriate
12.	X Irish Questions	FCO	NIO
13.	✓ FRG Political and Economic Scene	FCO	Treasury