



DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

To: Prime Minister

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Chancellor Kohl

As you know, I met President Mitterrand in Paris earlier in the week and, among other matters, we discussed where we go next in the negotiations being conducted on the basis of the Stuttgart declaration. I know you will be meeting President Mitterrand next week and I thought it might be useful if I were to let you know my approach to these problems.

President Mitterrand and I were at one on the urgent need to relaunch the Community and on the desirability of taking the fundamental decisions at the March European Council. Unless decisive progress can be made at that meeting, the disarray of the Community will get worse and cast a pall over the elections of the European Parliament as well as prejudicing the kind of developments in Community policies we all wish to see.

Enclosures—flag(s).....

/Financial

Financial issues are at the heart of this negotiation but the wider significance of it is political. That is why I believe that we must resolve these issues, so that we can concentrate on the further development of the Community and on completing the enlargement negotiations. The agenda produced under your Chairmanship at Stuttgart identified the fundamental problems for which long term solutions are needed. Some of these problems, like the need for economies in existing policies and for future budgetary discipline, for a lasting solution to budgetary imbalances and for a decision on the Community's future financial requirements, are central to the well-being of the Community. I could not agree to stopgap, short term palliatives on these central issues.

I emphasised to President Mitterrand my wish to see the Community take new policy initiatives, especially in areas where our collective strength can bring real advantages. But I did not see how this could be achieved without resolving the problems which continue to beset the Community and which cannot be solved by more money alone. We must control the growth of agricultural spending. We also need to control the growth of non-agricultural spending so that it does not rise in a way which is inconsistent with the sort of policies on public spending which we are all now applying at a national level. I said that I very much welcomed the proposals put forward in November by M Delors, and I

/hoped

hoped these, together with other proposals on the table, could be worked up into agreed modifications to the Community's budgetary procedures.

On budget imbalances I said that the Community cannot go on pretending that a financing system which worked for the original Six, works for the Ten, or will work for the Twelve. I know you share my concern on this point. I believe President Mitterrand also accepts that we must be clear as to how much each member state contributes to the budget, and that each contribution should be ^{fair.} We are not looking for special deals, but for a lasting and equitable system. This is wholly in accord with the Treaty of Rome, and with the commitments we have been given over the years, and which were repeated at Stuttgart, that the Community would deal with unacceptable situations should they arise.

These remain difficult issues. But I believe that a balanced agreement which reconciles the existing differences between Member States is within our grasp.

We also had some discussion of the difficult problem of CAP reform. I indicated our firm support for the efforts of the Commission to come to grips with the surpluses, particularly of milk and cereals. But sacrifices must be evenly shared out ^{and} not, as some wished at Athens, ~~be~~ undermined by extensive exemptions either for products or for countries.

/President

President Mitterrand and I agreed that we should keep in close touch, to try to find a way through as many of these issues as possible so that when we meet collectively at the March European Council we may have the basis of an agreement, rather than having to try to sort out inside 48 hours a series of complex issues that have not been adequately addressed beforehand. I believe that, without in any way neglecting the normal process of Community negotiation and decision-making, our three countries need to keep in the closest touch in the weeks ahead and that together we have a crucial contribution to make in fashioning the solutions for which we are all working. I attach great importance to making full use of the special links which you and I set up when we met last November. It is for this reason that I would greatly value the opportunity for a discussion with you at some stage during the next month or so. If you agree, perhaps our Private Secretaries might explore suitable dates.

This will be difficult to fit in but it would be odd not to see him at all before the Council.

A.T.C. 24

*David
MS*

MT

Germany: PM's meetings with Kohl pt 5.

26 JAN 1984

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FILE

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10 DOWNING STREET

From the Private Secretary

28 January, 1984

EUROPEAN COMMUNITY: MESSAGE TO CHANCELLOR KOHL

Thank you for your letter of 26 January. I telephoned Peter Ricketts from Rome yesterday to say that the Prime Minister had agreed to send the proposed message to Chancellor Kohl and that it should be despatched. Mrs. Thatcher has also agreed that we should seek to arrange a short working visit by the Chancellor to London at a suitable time before the March European Council. I shall deal with the latter point separately.

I am sending a copy of this letter to John Kerr (HM Treasury), Ivor Llewelyn (MAFF) and Richard Hatfield (Cabinet Office).

E. L. COLES

R. Bone, Esq.,
Foreign and Commonwealth Office

So



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

Agree message to
Chancellor Kohl

Yes -

26 January, 1984

and possible meeting
not

A.J.C. $\frac{26}{1}$

John Johnson

European Community: Message to Chancellor Kohl

President Mitterrand will be having talks on the European Community with Chancellor Kohl on 2 February. In your letter of 10 January you said that the Prime Minister would be prepared to write to Chancellor Kohl in advance of that meeting, and following her own talks with the President.

I enclose a draft message. It does not go into the details of our negotiating position since we doubt whether this would be the right approach to the Chancellor. It does however make our essential requirements clear.

I am copying this letter and enclosure to the Private Secretaries to the Chancellor of the Exchequer, the Minister of Agriculture, and Sir Robert Armstrong.

Handwritten signature

(R B Bone)
Private Secretary

A J Coles Esq
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