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10 DOWNING STREET

From the Private Secretary

PERSONAL AND CONFIDENTIAL

SIR ROBERT ARMSTRONG

FOREIGN AFFAIRS COUNCIL

Thank you for your minute of 23 March enclosing a draft of a possible letter from the Prime Minister to the Federal Chancellor.

I understand that the Foreign and Commonwealth Secretary has reached much the same conclusion as the Prime Minister reached earlier, namely that we should concentrate our efforts on Herr Genscher and that the Prime Minister should therefore not at this stage contact Chancellor Kohl direct.

I am copying this minute to Mr. Bone (Foreign and Commonwealth Office).

A. J. COLES

26 March 1984

PERSONAL AND CONFIDENTIAL



Ref. A084/941

MR COLES

When I saw the Prime Minister this morning we discussed briefly whether it might be advantageous for her to send a message to the Federal Chancellor before the meeting of the Council of Ministers on Tuesday 27 March.

--- 2. Mr Williamson has prepared a draft of a letter which the Prime Minister might send. It does not make the wider political points about which the Prime Minister was talking, which are really points which would much more easily be made orally than in writing. But it would be possible to expand the last paragraph of the draft so as to emphasise the Prime Minister's wish that this matter should be resolved as soon as possible, so that the European Community can address itself to the future - and in that context the Prime Minister could conveniently refer to what she is planning to say in her speech tomorrow: indeed, she could even attach a copy.

3. I understand that Sir Jock Taylor is to see Herr Genscher tomorrow, and it would be advisable not to send a letter before that meeting, or until we have a report of the result of it. But I think that there might be a good deal to be said for sending such a letter early on Monday (we could send it over the direct line to the Federal Chancellor's office), so that it arrived by lunchtime on Monday and thus in time to send its signal to the Federal Chancellor before the German delegation leaves for the Brussels meeting.

4. I am sending a copy of this minute and of the draft to the Private Secretary to the Foreign and Commonwealth Secretary.

ROBERT ARMSTRONG

23 March 1984

*. Suggestion for an expanded last paragraph also attached.

Draft letter from the Prime Minister to
Chancellor Kohl

I thought that I should write to you before the
Council of Foreign Ministers on Tuesday next,
because I still feel that there are some misunderstand-
ings which were not cleared up in the final stages
of the European Council.

on budget imbalances,
In relation to the proposal which you put forward
I had understood that this was an entirely ad hoc
solution. It is on that basis that I rejected it,
because I have always believed that it is in the
interest of both our countries and of the Community
generally that there should be a system in place to
end the warfare over budget contributions. Everything
still points to the need for such a system.

The United Kingdom has not rejected an ad hoc
solution for one [or two] year[s]- and at a level of
compensation which you have said to be acceptable to
you - if you consider this necessary to protect your
position in the period before new own resources
become available. Nor, of course, do we object to
the proposal you made that the German share of the
financing of this compensation should be reduced. It
is surely right, however, that we should have the
system in place after this interim period.

/The

The system of correcting the budget imbalances is, in any event, included in the text presented by President Mitterrand in his capacity as President of the European Council. The United Kingdom supports and accepts that text not only in relation to budget imbalances but in its entirety. There remains the figure which is to be inserted in the blank space in that text (page 12 of the last paragraph of the draft conclusions in the latest version circulated by the Council Secretariat). I am confident that this can be resolved.

Throughout many months of discussions the United Kingdom has continued to support the view that it was reasonable for the Federal Republic to have a limit on its contribution in the new system. We continue to take this view, despite pressures from other member states in the opposite sense. It was in the light of this that I was distressed when you appeared to abandon our common search for a mechanism to be incorporated in the revised Own Resources Decision which would correct what we see as injustice to the major net contributors.

I very strongly hope that in the Foreign Ministers' Council on Tuesday it will be possible to resolve these issues and, if so, I hope that they would be submitted to each Head of Government for endorsement without a meeting at our level. In that event the Presidency text, with the appropriate figures in relation to budget imbalances, would after all become our agreed conclusions.

Expanded last paragraph:

Apart from the interest that we share - as the two major net contributors - in putting such a mechanism in place, there is a much wider interest in building upon the very considerable progress we made at Brussels to agree a settlement of these issues as soon as ever possible. Until they are settled, we shall be too preoccupied with these current problems to address ourselves to the future of Europe. I know the personal commitment that you have - and that President Mitterrand shares - to working out the policies and initiatives which will increase the cohesion of the European Community and enable it to realise its full political and economic potential, to the benefit of its own peoples and of the wider world. I too share this commitment, as I made clear in a speech I made this weekend; I am arranging for you to be sent a copy of what I said. So I very strongly hope that in the Foreign Ministers Council ...