

MR. COLES

Dinner with Chancellor Kohl

1. The Prime Minister's meeting with Chancellor Kohl on Wednesday is very important. By the next time they meet (8 November), the pre-Athens negotiations will be in full swing and positions taken up will be less easy to adjust. Conversely, more wholehearted support from the Germans for our objectives than we have had so far, will strongly influence the course of the negotiations in the next few weeks. Many member states think (wrongly) that, if they can isolate us in the run-up to Athens, they will get away with a cheaper deal for the UK and no financial guideline for the CAP; if we and the Germans are working in harmony their illusions will be more quickly dissolved.

2. The main points on which the German position is currently unsatisfactory are:

They are not supporting our case for a financial guideline on the CAP. The German Cabinet appears to have backed the Agricultural/Foreign Ministry view that our proposal is not negotiable. In detail that may be correct; but we will not get any guideline at all if the three governments who want to keep the rate of growth of agricultural spending below that of own resources (the Germans do subscribe to that), do not insist that there must be a change in the Community's budgetary procedure to bring that about. Words in communiques have not in the past and will not in the future control Agriculture Ministers at annual price-fixings. So, if the Germans really want to ensure that the CAP is set on a more healthy track they should back our proposal, whatever their doubts about its negotiability in detail.

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(ii) They are all for a safety net but do not like our figures. They are contemplating a counter proposal, which would suit them better (and no doubt us worse). We need to try to head this off. If the only two countries which support the safety net fall to squabbling the others will be delighted.

3. Chancellor Kohl is a European with a capital "E". He wants the CDU to take the high ground at next year's European Parliament elections. He does not like crises and clashes. It is particularly important that he should not suspect that we are spoiling for a fight or that we are any less attached than he is to the health of the Community. It should be possible to convince him that the best way to achieve a reformed and relaunched Community by next summer is for him and us (and the Dutch on CAP) to take a very firm line from the beginning. So long as the others think they can have their cake and eat it, a confrontation at Athens is sure, and the ultimate solution will be postponed.

4. The Germans remain sensitive to French attitudes. While many of President Mitterrand's policies worry and even infuriate them, Kohl regards himself as Adenauer's political heir and will bend over backwards to avoid open Franco/German rows. The French play on this adroitly. It is important that we demonstrate to the Germans some sensitivity to basic French interests (not the same as accepting their open negotiating positions). The need for close contacts between the three countries whose views will determine the outcome of negotiations is evident (but those probably need to remain triangular rather than trilateral to avoid talk of ganging up).

*D Hannay*

DAVID HANNAY

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Psychological Answers