

CHECK LIST OF POINTS FOR THE PRIME MINISTER TO RAISE DURING
TETE-A-TETE WITH CHANCELLOR SCHMIDT

1. COMMUNITY ISSUES

a) European Council

Essential for something positive to come out of November Council. At very least a set of agreed guide-lines

b) Budget

UK and FRG have common interests. Want to reach agreement on common position. No justification for UK being substantial net contributor. German intentions?

c) CAP Reform

Common interest in reform. Essential element in budget restructuring under 30 May Mandate. European Council must endorse clear guide-lines.

2. EAST/WEST RELATIONS

Welcome US/Soviet talks. Important not to leave propaganda field free for Soviet exploitation. Assessment of Brezhnev's visit to Bonn? German views on Poland?

All have difficulties in dealing with US system and its divided voices, but in practice close consultation is being maintained - particularly on arms control.

Essential there should be no misunderstanding on US side of what European opinion really is (US fears of neutralism).

Inner German Issues,

Breshnev. Lic. Co-operation

- Nuclear debate - Star

Open Position - Zee-sum

Min. Löschholz Requirements:

3. ECONOMIC ISSUES

a) North/South

Useful discussion at Cancun. Valued Herr Genscher's role. Glad that Community has been able to evolve a balanced position on Global Negotiations. Do not want to lose momentum.

b) International Economic and Monetary Questions

No sign yet of a strong recovery in major economies. But glad to see most countries persevering with firm policies. Wage moderation vital. Important that US should curb budget deficit. Prospect of some easing of US interest rates should increase European room for manoeuvre. Welcome Hungarian and Polish approaches to IMF and World Bank.

c) Management of UK Economy

Reduction of inflation requires strict adherence to firm monetary and fiscal policies. Success takes time to achieve, but there are now first signs of improvement. Equally concerned with reducing both inflation and unemployment.

4. BILATERAL RELATIONS

Continue to attach importance to collaboration within the European Space Agency. Hope FRG will give support soon to operational meteorological programme there. Regret FRG not participating in ESA's advanced telecommunications project L-SAT.

Air Transport - Insurance
- Opening up
licensing system.

- Protectionist.

MFA - GATT.

Full access on existing quotas.

Steel

- Prices

- Alludes to Jap investment.

- Aids to Industry.

Liberalizing Telecommunications

T.C's

India ① - Nuclear.

② Tornados - Can we sell it.
52-46.

③ 3% air - ^{may} Spent more in absolute terms
than Germany