

SUBJECT

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY, ACCOMPANIED BY
FOREIGN SECRETARIES, AT 1215 HOURS ON FRIDAY 4 FEBRUARY 1983
AT CHEQUERS

Present: Prime Minister Chancellor Kohl
Secretary of State Herr Genscher
for Foreign and Commonwealth Affairs Mr. Teltschick
Mr. Butler Interpreter
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Following a brief report by the Prime Minister on the matters discussed bilaterally between herself and Chancellor Kohl, she suggested that they should discuss Community issues. The achievement of the Common Fisheries Policy had been a great achievement, and she congratulated the German Government on bringing it to fruition through their Presidency. She would be interested to hear the ideas of the German Government about the Common Agricultural Policy price fixing, and it would be natural to proceed from there to a discussion of the Budget.

Herr Genscher said that he would first like to raise an urgent problem which had arisen over Canadian licensing of the German deep sea fishing fleet off the coast of Canada. The current licences would expire on 11 or 12 February. The Canadians were only prepared to grant licences on condition that the European Community absorbed the whole catch from Canadian waters. The United Kingdom had previously taken as much as 82% of the catch, but their current quota had fallen to 50%. This created difficulties because it was difficult to market the rest of the catch elsewhere in the European Community where consumers were not familiar with the type of fish included in it. If the United Kingdom were willing to increase their quota somewhat, this would help to move the Canadians from a position in which they had become entrenched.

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The Prime Minister said that her immediate reaction was that no such increase would be possible. A large part of the British fishing fleet had been laid up awaiting the settlement of the European Fishing Policy. It would be impossible to say to the fishermen that, now that the policy had given them access to an agreed share of fishing resources, albeit one which was much lower than that which the United Kingdom had brought to the Community by its membership, the British market would have to take a larger quota of imported fish from Canada. She would report Herr Genscher's request to the Minister of Agriculture, but she could not hold out a prospect that Britain would be able to help in the way suggested. She thought that a better approach would be for the British and German Governments to join in making representations to the Canadians.

Herr Genscher commented that he thought that the Prime Minister might be exaggerating the difficulty of making an increase in the quota.

On the CAP price fixing, the Prime Minister said that British farmers had had a very good year, and it remained important to maintain downward pressure on inflation. These considerations should be kept in mind in approaching the CAP price fixing. Herr Genscher said that the German Government agreed with the British Government's approach to the price increase: the difficulty for the German Government arose over MCA adjustments, which reduced the revenue increase for German farmers from the Commission's proposals of 4½% to 1%, and this was too low.

The Prime Minister commented that it was also necessary to distinguish between products. It was essential to avoid substantially increased prices for products already in surplus, e.g. milk. Herr Genscher commented that the co-responsibility scheme covering milk producers helped in this respect. The Prime Minister said that this scheme amounted to putting up the price, and then applying what amounted to a tax: this had never

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seemed to her sensible. Herr Genscher said that the co-responsibility scheme was suited to the structure of German agriculture, which contained a large number of family farms as opposed to mass milk production units. The Prime Minister commented that the CAP tended to favour countries which were less efficient in production and efficient in manufacturing, compared with the United Kingdom which was very efficient in production.

Turning to the European Budget, the Prime Minister said that the German Government were the biggest financiers of the EEC, and the United Kingdom were the second biggest. It was absurd that Britain should subsidise countries like Belgium, Holland and Denmark. It would be impossible for her to go into the British Election with the European Budget problem unsolved. If she did, it would provide a perfect basis for the main Opposition Party to exploit opposition to the EEC, and argue that Britain should leave the Community. It was misleading to speak of Britain asking for refunds when what was meant was that Britain should be a lower net contributor, but until a fundamental reform of the system was achieved, refunds were inescapable. The reason for emphasising this point today was that it would have to be settled under the German Presidency. She hoped that the German Government would be helpful over this problem, which it was essential to solve by the time of the June Council, and she suggested that officials should discuss ways of doing so in the meantime.

Chancellor Kohl said that he and Herr Genscher had been discussing this matter on the way over on the aeroplane. There was another argument which Mrs. Thatcher had not mentioned: this was that a solution should not be sought during the Greek Presidency. So the German Government would have this matter very much in mind in preparing for the June Council. It was a strong German interest that the British Government should be able to present its membership of the European Community in a favourable light to its electorate and to go into its Election with its European colours flying high.

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The Prime Minister said that she would not pursue the matter further today. In the next few weeks the German Government would have other pre-occupations, and the British Government fully recognised the importance of the result of the German Elections on 6 March. Thereafter it would be necessary to concentrate on matters which would be important in the United Kingdom Election.

F.R.B.

4 February 1983

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