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Foreign and Commonwealth Office

London SW1A 2AH

17 May 1985

CD

Dear Charles,

Chancellor Kohl's Visit to Chequers: 18 May

I enclose the remaining briefing material for Chancellor Kohl's visit to Chequers, together with revisions to that enclosed with my letter of 10 May. This comprises:

- (a) Sir J Bullard's scene-setting telegrams (Nos 486, 487 and 488); *(shu attached)*
- (b) A Brief on European technological cooperation, and revisions of those on:
  - EC issues;
  - East/West relations (revised in light of the Vienna meetings);
  - Arms control and disarmament (taking account of telno 488 which serves as succinct background on German attitudes to SDI);
  - Internal political brief (now covering North Rhine Westphalia elections). Please now discard the briefs enclosed with my letter of 10 May.
- (c) Notes for the Prime Minister's speech at dinner (with a copy of the joint declaration referred to in the notes);
- (d) Personality notes.

The European Fighter Aircraft brief (which you have already) may need updating in light of the Defence Ministers meeting in Rome which finished last night.

Sir J Bullard's telno 486 outlines the implications of the blow to the confidence of the CDU and the Chancellor caused by the slump in the CDU vote in the elections in North Rhine Westphalia last Sunday. This new setback follows criticism in the German media of Kohl's failure to manage relations with the US (Bitburg) and France (rift at Summit - see telno 487)

/hitherto

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hitherto regarded as among his strongest suits. Kohl will therefore be feeling rather bruised and in need of support. The approach agreed at the Prime Minister's meeting with the Foreign Secretary on Monday, namely to emphasise those elements of policy on which we and the Germans are in line, should serve this purpose well.

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

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DESKBY 141800Z

FM BONN 141515Z MAY 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 486 OF 14 MAY

INFO ROUTINE WASHINGTON, PARIS, BMG BERLIN

INFO SAVING OTHER EC POSTS, MOSCOW, EAST BERLIN, CGS IN FRG, CICC(G)

CHANCELLOR KOHL'S VISIT TO CHEQUERS, 18 MAY.

## SUMMARY

1. CHANCELLOR KOHL COMES TO CHEQUERS THIS WEEKEND WITH MORE ON HIS MIND THAN THE FUTURE OF EUROPE. HE HAS BEEN BADLY BRUISED BY INTERNAL SETBACKS. HIS PERSONAL RELATIONS WITH REAGAN HAVE BEEN STRAINED BY BITBURG, THOSE WITH MITTERRAND BY THE ECONOMIC SUMMIT. HE MAY BE UNDER PREPARED ON EC QUESTIONS.

## DETAIL

2. THE INTERNAL POLITICAL SITUATION IN THE FRG WILL BE MORE THAN EVER ON KOHL'S MIND. HIS GOVERNMENT HAS ALWAYS BEEN ACCIDENT-PRONE - KIESLING, FLICK, THE LAMBSDORFF AND BARZEL RESIGNATIONS AND NOW BITBURG. THOUGH A MAJORITY OF GERMANS MAY HAVE SUPPORTED KOHL (AND REAGAN) IN GOING AHEAD WITH THE BITBURG VISIT, THE EPISODE HAS DENTED HIS CREDIBILITY AS A CHANCELLOR WITH OUTSTANDINGLY GOOD LINKS WITH THE US. COMMENTATORS ARE ASKING WHEN AND IN WHAT FORM THE BILLS WILL COME IN. THE FACT THAT THE ECONOMIC SUMMIT WAS RELATIVELY SUCCESSFUL AND WELL-MANAGED WAS OBSCURED BY HEADLINES ABOUT A RIFT WITH FRANCE (MIFT).

3. HIS GOVERNMENT'S MISHAPS HAVE LEAD TO A DROP IN KOHL'S PERSONAL POPULARITY AND, MORE IMPORTANT, TO A STEADY DECLINE IN SUPPORT FOR THE CDU/CSU. SINCE THEIR NEAR-RECORD 48.8 PERCENT IN THE 1983 FEDERAL ELECTION, THEIR SUPPORT HAS SLIPPED TO LITTLE OVER 40 PERCENT NOW. THIS DECLINE HAS BEEN ACCOMPANIED BY A STRING OF POOR RESULTS IN REGIONAL ELECTIONS, CULMINATING IN THE MASSIVE SETBACK IN NORTH RHINE WESTPHALIA (NRW) LAST WEEKEND (MY TELNO 478). KOHL'S POLITICAL CAREER HAD BEEN ONE OF ALMOST UNBROKEN SUCCESS. FOR THE FIRST TIME HE IS HAVING TO EXPLAIN AWAY FAILURE. MUCH OF HIS PARTY DOES NOT LIKE WHAT IT HEARS. IT HOLDS HIM AND HIS OVER CONFIDENT AND WOOLLY STYLE RESPONSIBLE. STRAUSS, NEVER ONE TO CONCEAL HIS DISLIKE AND CONTEMPT FOR KOHL, IS BACK ON THE WARPATH.

4. THERE IS RENEWED SPECULATION THAT THE CDU MIGHT DROP KOHL, AS THEY DID ERHARD IN 1966, KIESINGER IN 1969 AND BARZEL IN 1973. CERTAINLY KOHL NOW LOOKS MORE VULNERABLE THAN AT ANY TIME SINCE HE BECAME CHANCELLOR. BUT HE HAS USED HIS 12 YEARS AS PARTY CHAIRMAN TO BUILD UP A STRONG PARTY BASE. STOLTENBERG, AT PRESENT THE ONLY REAL ALTERNATIVE CHANCELLOR, SHOWS NO SIGN OF DISLOYALTY. I THEREFORE DOUBT WHETHER KOHL'S POSITION IS SERIOUSLY AT RISK AT THE MOMENT. BUT HE WILL BE GLAD THAT THERE ARE NO MORE MAJOR ELECTIONS UNTIL NEXT SPRING, WHEN THE CDU/CSU'S BUNDESRAT MAJORITY WILL BE AT STAKE IN LOWER SAXONY.

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5. KOHL'S IMMEDIATE PROBLEM IS HOW TO REACT TO THE DEBACLE IN NRW. HIS GOVERNMENT LOOKS MORE THAN EVER IN NEED OF NEW IMPETUS. HE SEEMS TO HAVE SET HIS FACE AGAINST A CABINET RESHUFFLE, AT LEAST AT PRESENT: CHARACTERISTICALLY, HE DOES NOT WANT TO BE SEEN TO BE ACTING UNDER PRESSURE. THE ONLY OBVIOUS ALTERNATIVE IS TO BE SEEN TRYING TO DO MORE ABOUT THE UNEMPLOYED, PENSIONERS AND FARMERS, WHOSE DEFECTION HIT THE CDU HARD IN NRW. KOHL HAS PUBLICLY REAFFIRMED HIS CONVICTION IN THE CORRECTNESS OF CURRENT POLICIES. BUT CDU H.Q. BELIEVE THAT HE MIGHT JUST BE TEMPTED INTO A FEW U-TURNS FOR QUICK FIXES IN SOME OF THESE AREAS. MORE GENERALLY, THEY THINK THAT HE WILL TRY TO EXPLOIT SDI TO EMBARRASS THE SPD AND PROFILE HIMSELF.

6. THERE IS NO REAL REASON TO DOUBT THE PRESENT COALITION'S ABILITY TO WIN THE 1987 FEDERAL ELECTION. THE FDP SEEM TO HAVE STABILISED: THE PRESENT DROP IN CDU SUPPORT IS SERIOUS BUT NOT UNUSUAL IN MID-TERM. FOR ALL THEIR SUCCESSES IN THE LAENDER, THE SPD STILL FAIL TO PRESENT A CREDIBLE ALTERNATIVE AT FEDERAL LEVEL. THE CONFIDENCE OF THE FEDERAL CDU TOOK A KNOCK IN NRW, AND THE SPD'S PROSPECTS AT FEDERAL LEVEL COULD IMPROVE IF THEY WERE TO FIELD RAU INSTEAD OF VOGEL AS THEIR CHANCELLOR-CANDIDATE. LIKE KOHL, RAU IS A POPULIST WHOSE APPEAL IS TO THE HEART. HE COULD FUDGE THE SPD'S LACK OF ALTERNATIVES, AND PRESENT KOHL WITH A REAL FIGHT. BUT I STILL THINK IT IS ONE WHICH THE CHANCELLOR WOULD WIN. IN ANY CASE THAT BATTLE IS STILL NEARLY TWO YEARS OFF.

7. AS A RESULT OF ALL THIS I WOULD EXPECT KOHL ON SATURDAY TO BE  
(A) UNDERPREPARED ON EC QUESTIONS,  
(B) LESS IN MITTERRAND'S POCKET THAN I HAD PREDICTED EARLIER,  
(C) GRATEFUL FOR SOOTHING BALM.

BONN WILL PASS TO BMG BERLIN AND SAVING CGS IN FRG AND CICC(G)

FCO PLEASE PASS TO OTHER SAVING ADDRESSES

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BULLARD

STANDARD (PALACE)

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DESKBY 141745Z

FM BONN 141445Z MAY 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 487 OF 14 MAY

INFO ROUTINE PARIS, WASHINGTON, BMG BERLIN.

INFO SAVING OTHER EC POSTS, MOSCOW, EAST BERLIN, CGS IN FRG, CICC(G)

MIPT: CHANCELLOR KOHL'S VISIT TO CHEQUERS: 18 MAY: FRANCO-GERMAN RELATIONS

SUMMARY

1. DIFFERENCES WITH THE FRENCH OVER GATT, EUREKA AND SDI. GENSCHER AND KOHL TRY TO PLAY THESE DOWN. DANGER OF COALITION ROW.

DETAIL

2. RETROSPECTIVE COVERAGE OF THE ECONOMIC SUMMIT HAS HIGHLIGHTED THE ISOLATION OF MITTERRAND AND AN APPARENT RIFT BETWEEN PARIS AND BONN ON GATT, EUREKA AND SDI. MITTERRAND IS REPORTED AS HAVING QUESTIONED KOHL'S EUROPEAN CREDENTIALS ON ALL THREE ISSUES. SINCE THEN DUMAS AND MME CRESSON ARE QUOTED AS ACCUSING THE GERMANS OF DEPARTING FROM AGREED EUROPEAN POSITIONS IN ORDER TO REWARD PRESIDENT REAGAN FOR BITBURG. MITTERRAND'S DOWN-BEAT BRIEFING ON THE PROSPECTS FOR MILAN WAS READ HERE AS POSSIBLY IMPLYING THAT IF KOHL WANTS PROGRESS ON EUROPE THEN HE MUST FIRST MAKE AMENDS WITH FRANCE.

3. IN A SPEECH ON 10 MAY, GENSCHER ATTEMPTED TO REPAIR RELATIONS WITH FRANCE WHILE AVOIDING SUGGESTIONS OF A DIFFERENCE OF OPINION WITH KOHL. HE STRESSED THE NEED FOR EUROPEAN TECHNOLOGICAL COOPERATION: DIVIDED, EUROPE COULD NOT COMPETE WITH THE US OR JAPAN. BUT WARM SUPPORT FOR EUREKA DID NOT RULE OUT EUROPEAN PARTICIPATION IN SDI (SEE MIFT). GENSCHER ALSO PLAYED DOWN DIFFERENCES BETWEEN PARIS AND BONN ON GATT. THE PRINCIPLE OF A NEW GATT ROUND HAD BEEN AGREED BY THE FRENCH, ALTHOUGH THERE WERE SUPERFICIAL DIFFERENCES ON A NUMBER OF MINOR POINTS. GENSCHER SPOKE OF THE DANGER OF US AGRICULTURAL PRODUCTS FLOODING COMMUNITY MARKETS AND PRAISED MITTERRAND FOR DEFENDING EUROPEAN (AND THUS GERMAN) INTERESTS AT THE SUMMIT.

4. IN TODAY'S BUNDESTAG DEBATE ON THE ECONOMIC SUMMIT, KOHL STRESSED THE SUMMIT AGREEMENT OR SUPPORT FOR A NEW GATT ROUND AND PLAYED DOWN FRENCH QUALIFICATIONS. HE HAD RECEIVED A MESSAGE FROM MITTERRAND EMPHASISING THAT FRANCO GERMAN FRIENDSHIP WAS SOUND.

5. GERMAN OFFICIALS MAINTAIN THAT THE BASIC FRANCO-GERMAN RELATIONSHIP IS STRONG ENOUGH TO WITHSTAND SUCH STRAINS. (I AGREE). BUT THEY RECOGNISE THAT THE DYNAMICS OF THE FRANCO-GERMAN RELATIONSHIP MEAN THAT THE GERMANS MAY NOW HAVE TO OFFER A DOUCEUR. MENTIONED IN THIS CONTEXT ARE EUREKA, EFA AND PERHAPS A EUROPEAN RECONNAISSANCE SATELLITE. A TRADE-OFF IN THE EC FIELD IS LESS EASY TO SEE.

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/COMMENT



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## COMMENT

6. MITTERRAND'S APPEAL TO EUROPEAN SOLIDARITY HAS PUT KOHL ON THE DEFENSIVE AND HAS LEFT THE GERMANS FEELING THAT THEY OWE THE FRENCH SOMETHING. THE GERMANS COULD THEREFORE FIND THEMSELVES HAVING TO PAY TWO PRICES FOR BITBURG AND THE SUMMIT: ONE TO THE AMERICANS AND ONE TO THE FRENCH.

7. AS TO GENSCHER (PARA 3 ABOVE), HE HAS BECOME A SOMEWHAT LONELY FIGURE, POLISHING THE LAMPS OF EAST-WEST AND FRANCO-GERMAN RELATIONS BUT NOT AT THE MOMENT TAKING THE IMPORTANT DECISIONS. (NOR WILL HE BE AT CHEQUERS). HIS PUBLIC STATEMENTS SHOW THAT HE DOES NOT THINK THAT GERMAN FOREIGN POLICY IS ALTOGETHER SAFE IN KOHL'S HANDS. THERE IS OBVIOUSLY MATERIAL HERE FOR FRICTION WITHIN THE COALITION.

BONN WILL PASS TO BMG BERLIN AND CGS IN FRG.

FCO PLEASE PASS ALL OTHER ADDRESSEES.

BULLARD

STANDARD (PALACE)

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TO IMMEDIATE FCO

TELEGRAM NUMBER 488 OF 14 MAY

INFO ROUTINE WASHINGTON, PARIS, ROME, UKDEL NATO, MODUK

MIPT

CHANCELLOR KOHL'S VISIT TO CHEQUERS, 18 MAY: SDI

SUMMARY

1. FEDERAL GOVERNMENT WORK ON RESPONSE TO WEINBERGER INITIATIVE IS SLOWLY GETTING UNDERWAY.

DETAIL

2. GERMAN VIEWS ON THE STRATEGIC ASPECTS OF SDI, (THE NEED FOR RESEARCH BUT THE PROBLEMS OF DEPLOYMENT) HAVE BEEN CLEARLY SET OUT BY CHANCELLOR KOHL ON SEVERAL OCCASIONS (SEE MY TELNOS 288 AND 375). THEY ARE VERY SIMILAR TO OUR OWN. THE KEY DISTINCTION FOR THE GERMANS REMAINS THE 'FIRE BREAK' BETWEEN RESEARCH AND DEPLOYMENT.

3. WHETHER, AND IF SO HOW, TO PARTICIPATE IN THE RESEARCH IS NOW THE MAIN FOCUS OF INTEREST HERE. THE GOVERNMENT ARE STARTING TO EXPLORE THE OPTIONS. THE CHANCELLOR'S OFFICE (TELTSCHIK) IS THE PIVOTAL POINT. HIS COORDINATING COMMITTEE HAS JUST ESTABLISHED INTER-MINISTERIAL WORKING GROUPS, ON FOREIGN POLICY (ARMS CONTROL), SECURITY AND TECHNOLOGY ASPECTS. THERE ARE ALSO JOINT DISCUSSIONS WITH INDUSTRY. A DELEGATION OF OFFICIALS AND INDUSTRIALISTS WILL VISIT WASHINGTON IN EARLY JUNE TO DISCOVER MORE OF WHAT IS ON OFFER. IT WILL PROBABLY INCLUDE GOVERNMENT SCIENTISTS, IN ORDER TO MAKE A MORE AUTHORITATIVE ASSESSMENT OF US PLANS THAN THE POL/MIL EXPERTS HAVE HITHERTO BEEN ABLE TO DO.

4. ON PARTICIPATION, GERMANS ARE TORN FOUR WAYS BY

A) DESIRE TO SHOW SOLIDARITY WITH THE US, FOR ALLIANCE REASONS AND ESPECIALLY AFTER BITBURG.

B) RELUCTANCE TO BREAK RANKS WITH THE EUROPEANS, AND ESPECIALLY THE FRENCH.

C) A DESIRE NOT TO MISS OUT ON ANY TECHNOLOGICAL LEAP FORWARD.

D) A STRONG FEAR THAT EVEN WHOLE-HEARTED EUROPEAN PARTICIPATION WILL NOT ACHIEVE THE KIND OF ADEQUATE ACCESS TO SDI TECHNOLOGY WHICH THE GERMANS REGARD AS APPROPRIATE.

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[They  
are  
ahead  
of us].



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5. OFFICIALS RECOGNISE THAT THE ANSWER TO THE AMERICANS CANNOT SIMPLY BE 'NO'. INDIVIDUAL FIRMS WILL IN ANY CASE PARTICIPATE WHEN CONTRACTS ARE AVAILABLE. THE KEY AREAS OF UNCERTAINTY ARE FORMAL FEDERAL GOVERNMENT INVOLVEMENT, AND GOVERNMENT FINANCE. GERMAN FIRMS WANT THE GOVERNMENT TO ENGAGE ITSELF BOTH WITH MONEY AND TO STRENGTHEN THEIR BARGAINING POSITION IN THE KIND OF GAME THEY EXPECT THE AMERICAN CUSTOMER TO WANT TO PLAY, IE SELECTIVE COMMERCIAL APPROACHES ADDING UP TO A POTENTIAL ONE-WAY STREET TO GERMAN DISADVANTAGE.

6. THE GERMANS HAVE ALWAYS ADVOCATED A COORDINATED EUROPEAN RESPONSE, PREFERABLY A QUATRE FROM FRG, UK, FRANCE AND ITALY, BUT CONCEIVABLY THROUGH THE WEU: RUFUS REPEATED THIS TO ME TODAY, THOUGH NOT MENTIONING WEU. IF THIS IS IMPRACTICAL, KOHL WILL BE LOOKING FOR CRUMBS OR CLOAKS OF EUROPEAN SOLIDARITY ON SDI WHEREVER HE CAN FIND THEM. OF COURSE HE HAS NO DOUBT OF THE OVERRIDING IMPORTANCE FOR THE FRG OF THE TRANSATLANTIC DEFENCE RELATIONSHIP, AS STRAUSS AND THE CDU KEEP REMINDING HIM.

BULLARD

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PS  
PS/LADY YOUNG  
PS/MR LUCE  
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Foreign and Commonwealth Office

London SW1A 2AH

17 May 1985

Dear Charles,

CR

Prime Minister's Talks with Chancellor Kohl

/ I now enclose German versions of the papers on the development of the Community, which the Prime Minister may wish to hand to Chancellor Kohl. The passages on the Luxembourg compromise and the European Parliament are for use as necessary. The text on decision-taking incorporates one amendment from the DTI, so a revised English text is also enclosed.

As regards the text on political cooperation, we have as you know a dual purpose in planning to give it to Kohl. The aim is to get a bandwagon moving with Kohl's weight behind it, and at the same time to shift the spotlight from the target currently favoured by the Germans - ie a more wide-ranging treaty. It is in order to give this gambit the optimum chance of succeeding that we have made the text as attractive to Kohl as we possibly can.

There is one other point of this kind that the Foreign Secretary thinks we should consider. What we are proposing is an inter-governmental agreement. It would not affect UK legislation in any way. Nor would it create any role for the European Court of Justice. What it does is to enshrine formally the existing practices of political cooperation (the Foreign Secretary's minute of 26 April). But like any formal inter-governmental agreement it would have treaty force. Julian Bullard advises that it would maximise the impact of the document on Kohl if it could be described in this way. This means that it could properly be described in German as 'Vertrag'; which means treaty or contractual obligation.

The Foreign Secretary considers that we should be more concerned with the content rather than the form of this document. Provided Kohl is prepared to support the content, we should be prepared to agree to 'Vertrag' if that is what he wants. The alternative would be for the text simply to

/be

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be handed over to Kohl described as a draft on European political cooperation, leaving the title to be decided later.

In handing over the document, the Foreign Secretary suggests that the Prime Minister should impress on Kohl that this is a personal communication from her, that she will want to discuss these ideas at the Milan European Council, and that she is concerned to know if he can support something on these lines. The paper must not be referred to Foreign Ministry officials (and if it was, we should not be prepared to discuss it with them). Provided Kohl's reactions are positive, the Foreign Secretary would propose to give a copy of the paper to M. Dumas when he sees him in Paris next week, emphasising that this is for President Mitterrand's personal information and subject to the same caveats.

I am sending a copy of this letter, with the enclosures, to the Private Secretary to Sir Robert Armstrong.

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary



PRIME MINISTER

DINNER FOR CHANCELLOR KOHL

In case you wish to make a very short  
and informal speech, I attach on cards  
some points which you might cover.

C.D.P.

Charles Powell

17 May 1985

P.S. I have got  
the Kohl briefs  
and will bring  
them to Chequers  
tomorrow.

C.D.P.



POINTS FOR SPEECH

- Welcome back to Chequers. Last here just over a year ago when we agreed an important statement on Anglo-German relations.
- On that occasion you also delivered memorable Konrad Adenauer memorial lecture in Oxford.
- Significance of Bonn Economic Summit. Particular importance of demonstrating reconciliation.
- This May we celebrate thirty years of Anglo-German diplomatic relations. Welcome German Ambassador's initiative in giving a dinner last Thursday. Sorry not to be able to attend.
- Our discussions today focussed on special opportunity at European Council this summer to strengthen the Community both internally and externally. We share resolve to achieve a more united and dynamic Europe: and a Europe able to speak and act more effectively on political and defence matters.
- When diplomatic relations were established 30 years ago, Sir Anthony Eden sent Dr Adenauer a message which concluded with the words:



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"Much remains to be done before the security of the free world is finally assured, but I know that we shall travel on this road together."

How far we have travelled! And how closely we have worked together! Today has confirmed our intention to continue in that spirit.



CM

PRIME MINISTER

MEETING WITH CHANCELLOR KOHL

The Chancellor arrives at 1230, so by the time you've had the photocall, you'll want to go straight to lunch. You might suggest keeping discussion of the future of the European Community for the afternoon session.

Over lunch you might therefore start with the general political and economic situation. Britain and Germany have the same sort of Governments facing the same sort of problems and trying to deal with them in generally similar ways. You might offer some consolation on the outcome of the elections in North Rhine-Westphalia: there is no national pattern. For instance in Berlin the CDU did well. You might give him an account of your main domestic priorities over the next twelve months: unemployment, holding down inflation and public expenditure, reform of the social security system, local authority finance and further privatisation.

You might go on to a few reflections on the outcome of the Bonn Economic Summit. How seriously does he take President Mitterrand's threat to boycott future summits? Is it just pique? Is it possible to move to a less structured and prepared sort of meeting (though the Japanese are hardly the best people to start such a trend)? On substance, preparations at a technical level for a new GATT round are likely to get under way without too much fuss. The G10 Finance Ministers seem unlikely to produce any surprises, and it is not at all clear anyway what the French really want in the way of international monetary reform. Ideas such as establishing the sort of relationship between major international currencies which exists in the EMS are not starters.

Two further points which you might raise over lunch are first to seek his assessment of the impact of the VE Day events in Germany; and secondly to probe his expectations for



the Franco-German relations. Is he feeling hang-dog and longing to make it up with Mitterrand? If so, he will no doubt be looking for things to give away to the French, which will be bad news for us. This is the most probable scenario. But if instead he is feeling annoyed and angry with them for spoiling his Summit, you may be able to turn this to our advantage, for instance, over the EFA.

Indeed you might move on to the European Fighter Aircraft next. Precisely what you say will depend on the outcome of Michael Heseltine's meeting with the other European participants on Thursday and Friday. But you will want to stress that we are not interested in a project where everyone else just strings along behind the French. We are world leaders on engine technology; are very advanced in airframe construction; and do not have the headquarters of any major collaborative project. We are prepared to collaborate if there is a genuinely fair deal. But we have the capacity to go ahead on our own if necessary and if our vital concerns are not met. To put it bluntly, we hope that the Germans will not just side with the French against us regardless of technical merits. If our interests are not properly taken into account over an aircraft designed to help us carry out our NATO commitments in Germany, we may have to take a close look at some of the commitments.

The Strategic Defence Initiative might also be covered at this stage. Kohl's interest is likely to be the prospects for a joint European response to the American invitation to participate in SDI research. The French have clearly ruled themselves out, so it's really only us, Germany and Italy who are in contention. No need to go to great lengths to align our position but we should keep each other informed of how we propose to reply. We have a common interest in ensuring that we don't just get crumbs from the Americans' table and that we get access to useful information and technology. We regard Eureka as separate from the response to SDI. In our view Europe's main weakness is in the exploitation of research. We are not in favour of another agency with public funding. We



would, however, like to see an arrangement by which companies developing new high technology products in these sectors did get a copper bottomed guarantee of access to the whole Community market.

Finally, and if there is still time, you might cover East-West relations. What does he make of Gorbachev's VE Day speeches? How far can one disentangle genuine Russian anxieties about the economic costs of strategic defence from propaganda designed to get the West Europeans to put pressure on the US at Geneva? Will Gorbachev's necessary pre-occupation with the Soviet economy restrict him from taking any substantial - as opposed to propaganda - initiatives on arms control?

After lunch you will want to launch straight into the future of the European Community.

You might lead in by saying that Britain is in favour of greater unity in the Common Market both internally and externally. We are ready to see the Community develop further, above all in practical ways. We do understand Herr Kohl's need to show to the German people that we are going to stay united and that together we are a stronger force in the world. We are not interested in arcane theological/constitutional discussion or abstract principles: nor shall we be frightened by talks of a two-tier Community which is counter-productive. The enlarged community will only function effectively if Britain and Germany - and France - work together. And we must do so on the basis that we are all full members.

So what do we mean by greater European unity? First, as Kohl will know, we attach great importance to completion of the internal market. This is not just shopkeeper's talk. It means completing the Treaty of Rome and making us all economically stronger and more cohesive. That must be our first task. The Commission are working on a timetable for this. We have one of our own (which you could hand over to



him). This is concrete action. It is also the freeing up of economies which both the Conservative and the CDU governments are committed to. Action must also embrace deregulation. But for goodness sake, let's not allow the Commission to try to introduce approximation of taxes as a pre-condition for progress. It will cause immense political problems in all our countries and anyway is not mandatory under the Treaty of Rome.

But we recognise that this alone is not enough. Europe needs something more exciting and more imaginative, something which will really give people the feeling that we are taking a big step forward, moving towards unity in a new and important field. This will satisfy the aspirations of the younger generation. We believe this objective can be achieved by a formal agreement - a new Treaty if you like - on Political Cooperation. We have prepared the draft of such an Agreement but have not so far shown it to anyone else: we want to get Germany's reaction first. (You might then hand over the German translation). A formal agreement of this kind would establish political cooperation as a key element in European unity; and would strengthen European cooperation in the security field in ways which do not cut across the objectives of the Alliance. It will be witness to the Community's determination to speak and act as a single body in external affairs. It will be the biggest single step towards European unity for many years. We hope very much that Chancellor Kohl will react positively to it and that we can then work together to get it accepted. The next step would be to talk to the French. We are convinced that this is, and will be seen as, an important and positive initiative.

There is also the important question how best to organise further discussion of the future of the Community. We really don't see much to be said for an Inter-Governmental Conference. Why set up an entirely new body which will spawn its own bureaucracy and drag on interminably? We could miss the chance to take decisions now, just when the views of Germany, France and Britain are coming closer together. We



have a very effective instrument in the European Council. Let's use it. Mitterrand seems to be thinking on the same lines. Let us try at Milan to reach agreement on a detailed timetable for completing the Common Market and a Political Cooperation Agreement. Of course, we can give a formal mandate to others to complete our work in detail. But we must take the key decisions.

Chancellor Kohl may raise the question of majority voting. You will want to urge him to be practical. The reality is that no member state will agree to be voted down when very important national interests are at stake. (You will be able to quote German behaviour on agricultural prices as a telling example). It would be fatally damaging to European cohesion to try to do it. There has to be consensus on the really important issues. But there is scope to improve decision-taking. And the best way to do it, is to make fuller use of the existing majority voting provisions of the Treaty (always subject to unanimity where vital national interests are at stake). There could also be greater use of abstention. And when the European Council has set a specific objective to be achieved by a fixed date, this could be an agreement not to invoke unanimity on the implementing measures. Lastly it's not just a matter of voting - it's a question of the level of decision-taking. We need the European Council to set clear priorities for action each year; and decisions to be reached in the Council of Ministers not endlessly passed upwards to the European Council. Once again, we have some draft conclusions on this for the European Council, which we are happy to hand over.

This should give him plenty to get his teeth into. At the end you might try to agree a line for the press which would refer to an important and significant initiative taken by you which the Chancellor warmly welcomed.

C.D.P.

15 May 1985



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FM BONN 141730Z MAY 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 489 OF 14 MAY

1858/14

PERSONAL FOR RENWICK

CHEQUERS MEETING, 18 MAY

SUMMARY

1. CONVERSATION WITH RUHFUS WHO, BASING HIMSELF ON THE DOOGE REPORT, OUTLINED THE GERMAN APPROACH IN STANDARD TERMS, EXCEPT THAT HE GAVE A NEW EMPHASIS TO TECHNOLOGICAL COOPERATION. HARTMANN (FEDERAL CHANCELLERY) PRESENTED GERMAN THINKING IN CLEARER RELIEF.

DETAIL

2. I CALLED ON RUHFUS (STATE SECRETARY, AUSWAERTIGES AMT) THIS AFTERNOON TO ASK ABOUT THE GERMAN APPROACH TO CHEQUERS. RUHFUS SAID THAT THE BASIC TEXT WAS THE DOOGE REPORT. HE HAD SOUGHT AGREEMENT WITH DEPARTMENTS IN BONN DURING THE DRAFTING OF THE REPORT. WHAT HE HAD ACCEPTED REPRESENTED THE GERMAN GOVERNMENT'S VIEWS. THE POINTS WHERE THESE WERE NOT FIRM WERE THE POINTS ON WHICH HE HAD ENTERED RESERVES. THE FEDERAL CHANCELLOR WOULD BE BRIEFING HIMSELF



HAD ACCEPTED REPRESENTED THE GERMAN GOVERNMENT'S VIEWS. THE POINTS WHERE THESE WERE NOT FIRM WERE THE POINTS ON WHICH HE HAD ENTERED RESERVES. THE FEDERAL CHANCELLOR WOULD BE BRIEFING HIMSELF INTENSIVELY FOR HIS MEETING WITH THE PRIME MINISTER. ON THE QUESTIONS OF INTERNAL MARKET AND OTHER ECONOMIC ASPECTS, HE THOUGHT THERE WAS CLOSE IDENTITY OF VIEW BETWEEN THE BRITISH AND THE GERMANS, BUT THE FRG WOULD STILL HAVE DIFFICULTIES WITH THE QUESTION OF SERVICES. THE GERMAN POSITION ON MONETARY QUESTIONS AND ECONOMIC CONVERGENCE WAS WELL KNOWN AND UNLIKELY TO CHANGE. HE SAW NO CONFLICT HERE WITH THE BRITISH.

### 3. TECHNOLOGY

THE DOOGE REPORT HAD LAID IMPORTANCE ON TECHNOLOGICAL COOPERATION WITHIN THE COMMUNITY. RUHFUS SAID THAT SINCE THE EUROPEAN COUNCIL THIS TOPIC HAD ASSUMED EVEN GREATER IMPORTANCE. THIS WAS SHOWN BY THE EUROPEAN COUNCIL'S CONCLUSIONS, BY THE WEU MINISTERIAL MEETING, BY THE NEED TO RESPOND TO THE WEINBERGER LETTER AND BY THE FRENCH PROPOSAL ON EUREKA. HE THOUGHT THIS FIELD WOULD HAVE A CENTRAL PLACE AT MILAN. IN DISCUSSION YESTERDAY WITH THE FRENCH, THE GERMANS HAD STRESSED THE NEED TO FIND A FORM FOR EUROPEAN TECHNOLOGICAL COOPERATION COMPATIBLE WITH THE NEED TO RESPOND TO SDI. THEY HAD ALSO STRESSED THE IMPORTANCE OF SITING ANY COORDINATION MACHINERY WITHIN THE COMMUNITY AND THE URGENT NEED TO IDENTIFY CONCRETE PROJECTS FOR COLLABORATION. THE GERMANS BELIEVED THEY HAD NOW TALKED THE FRENCH OUT OF THE IDEA OF A NEW AGENCY INDEPENDENT OF THE COMMUNITY. FOR THEIR PART, THE GERMANS WERE CONVINCED THAT EUROPE'S TECHNOLOGICAL RESPONSE TO SDI SHOULD BE A COMMON ONE, NOT A SERIES OF BILATERAL ONES. IN THIS RESPECT CLOSE COOPERATION BETWEEN THE UK, THE FRG, FRANCE AND ITALY WAS ESSENTIAL. HE THOUGHT FURTHER BILATERAL DISCUSSION BETWEEN THE GERMANS AND THE BRITISH AFTER CHEQUERS WOULD BE VALUABLE. THE EXPERIENCE OF GEMAN FIRMS IN PREVIOUS RESEARCH COLLABORATIONS WITH THE AMERICANS HAD BEEN NEGATIVE WHEN THE QUESTION OF GETTING US PERMISSION TO APPLY KNOWHOW AROSE.

### 4. FOREIGN AND SECURITY POLICY.

RUHFUS HAD BEEN DISAPPOINTED WITH THE RECENT DISCUSSION AMONG POLITICAL DIRECTORS. HE FELT THAT THE BRITISH WERE READY TO MOVE SIGNIFICANTLY ON THE QUESTION OF FOREIGN POLICY COORDINATION BUT THE GERMANS WOULD BE VERY INTERESTED TO HEAR BRITISH IDEAS ON SECURITY POLICY COORDINATION. THIS WAS A VERY IMPORTANT AREA WHICH WOULD BE VERY DIFFICULT TO MANAGE WITH EXISTING MECHANISMS IN A COMMUNITY OF TWELVE.



GERMANS WOULD BE VERY INTERESTED TO HEAR BRITISH IDEAS ON SECURITY POLICY COORDINATION. THIS WAS A VERY IMPORTANT AREA WHICH WOULD BE VERY DIFFICULT TO MANAGE WITH EXISTING MECHANISMS IN A COMMUNITY OF TWELVE.

#### 5. INSTITUTIONAL QUESTIONS.

ON THE QUESTION OF MAJORITY VOTING, THE GERMANS WOULD BE ATTENTIVE TO SEE HOW FAR OTHERS COULD GO. THAT WOULD INFLUENCE FURTHER INTERDEPARTMENTAL DISCUSSION IN BONN. (COMMENT: AMONG SPECIALIST MINISTRIES HERE THERE IS LITTLE APPETITE FOR ADOPTING ~~MAJORITY~~ <sup>MAJORITY VOTING</sup> AS THE COMMUNITY'S RULE). ONE OF THE GERMAN AIMS WOULD BE TO PREVENT THE INSTITUTIONALISATION OF THE VETO. TAKING KIECHLE'S STAND AS MY TEXT, I POINTED OUT THE DEFICIENCIES OF THIS GERMAN APPROACH BUT RUHFUS REPLIED THAT OUR APPROACH, EVEN WITH A MECHANISM TO PREVENT ABUSE, WAS NOT ENOUGH.

#### 6. MORE RIGHTS FOR THE PARLIAMENT.

ALTHOUGH RUHFUS DETECTED THAT MR RIFKIND HAD GREAT DIFFICULTIES WITH THE NOTION OF 'CO-DECISION', HE THOUGHT THAT SOME KIND OF GREATER 'PARTICIPATION' FOR THE PARLIAMENT WAS NOT IMPOSSIBLE FOR THE BRITISH. I SAID I WAS SCEPTICAL OF OFFERING FURTHER POWERS TO THE PARLIAMENT, PARTICULARLY IN THE MATTER OF RAISING REVENUE: IN OUR VIEW THE KEY WAS TO ASSOCIATE THE PARLIAMENT EARLIER IN THE DISCUSSION OF POLICY.

#### 7. INTERGOVERNMENTAL CONFERENCE.

RUHFUS AGREED THAT THIS WAS ESSENTIALLY A QUESTION OF PROCEDURE AND THAT A VIEW ON IT COULD ONLY BE TAKEN WHEN THE POSSIBILITIES WERE CLEARER, IE PROBABLY AT MILAN. IT WAS IMPORTANT TO AVOID CREATING EXAGGERATED EXPECTATIONS. HE THOUGHT MITTERRAND'S RECENT BACKGROUND BRIEFING REFLECTED SIMILAR ANXIETY. I SAID I THOUGHT THAT WE HAD AN OPEN MIND ABOUT AN INTERGOVERNMENTAL CONFERENCE, COULD SEE NO PRESENT NEED FOR ONE, RECOGNISED THE OBVIOUS DANGERS AND COULD ENVISAGE THAT PROVIDED THE MILAN COUNCIL TOOK CLEAR DECISIONS, A CONFERENCE WOULD NOT BE NECESSARY.

#### 8. A TREATY

IN ANSWER TO MY QUESTION HOW MUCH IMPORTANCE THE GERMANS ATTACHED TO THIS AS SUCH, RUHFUS SAID THAT IF THERE WAS ENOUGH SUBSTANCE, IE A CODIFICATION OF PROCEDURES AND COMMITMENTS IN THE FOREIGN AND SECURITY POLICY FIELDS PLUS SOMETHING SIGNIFICANT ON TECHNOLOGY, ALL OF THIS LEADING IN THE DIRECTION OF EUROPEAN UNION, THEN THERE WOULD BE A GOOD CASE FOR A TREATY.



9. HARTMANN (FEDERAL CHANCELLERY) IN A SEPARATE CONVERSATION WITH COUNSELLOR (ECONOMIC), SAID THAT FOR THE CHANCELLOR THE KEY QUESTION WAS A QUALITATIVE STEP IN THE FIELDS OF FOREIGN AND SECURITY POLICY. MILAN NEEDED TO GIVE A CLEAR SIGNAL TO THE DIRECTION IN WHICH THE COMMUNITY WAS GOING. IT WOULD TAKE A CONSIDERABLE TIME, EVEN IF FULL AGREEMENT COULD BE REACHED, TO TRANSFORM THE RECOMMENDATIONS OF THE DOOGE REPORT INTO EFFECTIVE TEXTS. WHAT REMAINED OF 1985 REPRESENTED A WINDOW OF OPPORTUNITY. IN 1986 BOTH THE FEDERAL GOVERNMENT AND THE FRENCH GOVERNMENT WOULD BE DEEPLY PRE-OCCUPIED WITH NATIONAL ELECTIONS. THE PRESENT FEDERAL CHANCELLOR'S AIM WAS DEFINITELY TO ANCHOR THE FEDERAL REPUBLIC IN THE WEST, AND THUS REINFORCE THE FEDERAL REPUBLIC'S WESTERN ORIENTATION ALREADY ACHIEVED BY HER MEMBERSHIP OF THE ALLIANCE. SUBSEQUENT CHANCELLORS MIGHT GIVE THIS A LOWER PRIORITY. HARTMANN SAID THAT THE GERMANS WOULD BE VERY INTERESTED IN ANY IDEAS WE MIGHT HAVE ABOUT INSTITUTIONALISING COOPERATION IN THE FOREIGN AND SECURITY POLICY FIELDS. THE CHANCELLOR ATTACHED CONSIDERABLE IMPORTANCE TO ACHIEVING EUROPEAN UNION BUT WAS NOT ABLE TO ANSWER THE QUESTION WHAT WOULD BE THE MINIMUM THE GERMANS WOULD BE PREPARED TO CALL A UNION. BEAMISH POINTED OUT THE DIFFICULTIES THE WORD 'UNION' GAVE US, ADDING THAT OUR INTEREST WAS ABOVE ALL IN SUBSTANCE, ESPECIALLY PROGRESS ON THE INTERNAL MARKET. ON THE INSTITUTIONAL QUESTIONS WE WERE NOT PREPARED TO GIVE MORE POWERS TO THE PARLIAMENT NOR TO FOREGO THE POSSIBILITY FOR MEMBER STATES TO CLAIM A VITAL NATIONAL INTEREST.

10. COMMENT

I DID NOT FORM THE IMPRESSION THAT RUHFUS HAD BEEN INVOLVED IN ANY NEW THINKING ON THE ISSUES FOR DISCUSSION AT CHEQUERS. THERE MAY NOT HAVE BEEN ANY, OWING TO KOHL'S OTHER CARES.

BULLARD

NNNN



VISIT OF HIS EXCELLENCY DR HELMUT KOHL CHANCELLOR OF THE  
FEDERAL REPUBLIC OF GERMANY 18 MAY 1985

Administrative Plan

(to be read in conjunction with the programme)

18 May

ARRIVAL

When the Chancellor's aircraft has landed the Station Commander Group Captain A M Wills OBE, ADC, RAF will accompany the greeting party to the bottom of the aircraft steps.

His Excellency Baron Rüdiger von Wechmar will board the aircraft and escort the Chancellor to the tarmac where he will be welcomed by:

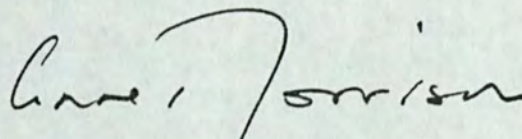
The Rt Hon The Baroness Young  
Minister of State for Foreign and Commonwealth  
Affairs  
Group Captain Robert Thomson Escort Officer

Transport

Car plan is at Annex 1.

Interpreters

Mr Lederer will interpret for the Prime Minister and Frau Siebourg will interpret for the Chancellor.



Anne Morrison  
Protocol Department  
273 3585

APRABC



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CAR PLANSSATURDAY, 18 MAYR.A.F. Benson to Checuers

Car 1	His Excellency the Federal Chancellor His Excellency Baron von Wechmar Special Branch Officer
Car 2 (Police Car)	Special Branch Officer
Car 5	Dr. Ruhfus Herr Teltschik Group Captain Thomson
Car 4	Dr. Neuer Frau Siebourg Mr Lederer
Car 5 (Embassy Car)	Dr. Ziegler

Checuers to R.A.F. Benson

Car 1	His Excellency the Federal Chancellor His Excellency Baron von Wechmar Special Branch Officer
Car 2 (Police Car)	Special Branch Officer
Car 3	Dr. Ruhfus Herr Teltschik Group Captain Thomson
Car 4	Dr. Neuer Frau Siebourg Mr Lederer
Car 5 (Embassy Car)	Baroness von Wechmar





Foreign and Commonwealth Office

London SW1A 2AH

13 May 1985

Dear Charles,

Prime Minister's Meeting with Chancellor Kohl:  
Development of the Community

I attach the brief on the development of the Community for the Prime Minister's talks with Chancellor Kohl. This may require some updating before the meeting. German versions of the document which might be handed over to Chancellor Kohl, including the agreement on political cooperation, are being prepared and will be sent to you shortly. The background was set out in the Foreign Secretary's minutes of 15 and 26 April.

The Italians and Benelux still want to see a conference launched to amend the treaties to provide for more majority voting, agreement on closer cooperation in other areas, and possibly to devise some catch-all treaty on 'European union'. In the Prime Minister's talk with him in Bonn, President Mitterrand seemed to be beginning to realise that a conference would not be likely to lead to results, as he desires, before the French elections next spring. The French, however, will want to portray themselves as being willing to intensify European cooperation; and to try to work out something with the Germans. President Mitterrand expressed some scepticism to journalists in Paris on 9 May about an inter-governmental conference to draft a new Treaty. He added that he was still determined to press on with European political integration: one option was to push ahead with some, but not all, of the Community's current members. The Milan European Council might be followed by a smaller meeting of heads of government who were prepared to intensify their cooperation.

Sir Julian Bullard considers it to be clear from our recent contacts with the Chancellery that Kohl hopes to be able to work something out with us. He realises that he must not ask the politically impossible, but hopes that it will be possible to agree on something which meets his desire to see a strengthening of European cooperation - and what he sees as his own political requirements.

The talks with Chancellor Kohl at Chequers, therefore, will be crucial to the outcome of the Milan European Council. Our position is a strong one, as the Prime Minister will be

/ able ...





able to point out that we are in favour of greater unity - internally through the creation of a genuine common market, and externally through the strengthening of political cooperation.

This latter point will be particularly important for Kohl. The Germans have put the reinforcement of cooperation in foreign policy and security at the top of their priorities. Their juridical turn of mind leads them to hanker after a treaty on 'European Union' even though they suggest that such a treaty would do little more than codify what already exists. Chancellor Kohl, however, should see considerable attractions in the formal agreement on political cooperation which the Prime Minister will be offering him. This is something he could present in the FRG as a further step in the process of constructing Europe and achieving greater unity. (We shall be able to explain that if the Irish are unable to agree to the passages to which we and the Germans attach importance on our security cooperation within the Alliance, it would be possible for them to subscribe to the rest of the agreement while reserving their position on security cooperation: this point about the Irish has been an important factor also in the German interest in increased security cooperation among the WEU Seven.)

On the political cooperation text, provided Chancellor Kohl's reactions are positive, the Foreign Secretary would propose to give a copy privately to M. Dumas when he sees him in Paris on 21 May. Otherwise, the French will hear of it from the Germans. French views on this subject are in any case close to our own. We will not disseminate the text to other Member States until much nearer the European Council. We should aim to get it agreed that the Political Directors should work out a final text for signature by the European Council in December.

Kohl will want to go further in some respects. He would like to give the European Parliament greater responsibility for legislation, though the Germans have now become much cooler about the idea of any increase in the powers of the European Parliament, which they know we will not agree to anyway. They also dislike the Luxembourg compromise - though their objections are to the idea, not the reality which underlines it. The Foreign Secretary thinks it important that we should present our position on this in a way that will be convincing to Kohl. As the Prime Minister will know, the Germans always claim that the Luxembourg compromise was no more than an agreement to disagree. So do the Italians and Benelux. In a sense this is borne out by the text which states (copy enclosed) that: 'the French delegation considers that where very important national interests are at stake the discussion must continue until unanimous agreement is reached'.

/ The reality, ...





The reality, however, is that de Gaulle won his point and that the existence of the compromise has governed to a large extent the way business has been conducted in the Councils ever since. Indeed, it has done so to the extent of inhibiting voting, even after long discussion, on relatively unimportant issues; and this does need to be corrected if the enlarged Community is to function effectively.

Rather than simply stressing our attachment to the Luxembourg compromise, the Foreign Secretary suggests that we should emphasise that the fundamental political reality is that no government actually is prepared to permit itself to be voted down in the Council on a matter of major importance to it. There are plenty of examples in the German case - witness Kiechle's present performance in the Agricultural Council - and in that of every other Member State. Some relevant examples are provided in the brief.

The Prime Minister will want to find out Kohl's intentions, not least in relation to his talks with Mitterrand. The areas in which the original Six have talked of increased cooperation - without giving any real definition to their ideas - include health, culture, science, education, security and industrial collaboration. The French and Germans have moved to spot checks for people crossing their land frontiers; and they are, of course, all participating in the ERM. If political cooperation is dealt with in a separate formal agreement, however, it is far from clear what real content could be given to any other new agreement - given that any change to the existing Treaties would of course require the agreement of all Member States.

Mitterrand will want to get German support for his 'Eureka' proposal, but is only likely to do so in a severely modified form. The Germans will not agree to a new agency; they agree with us that any further coordination must not duplicate what is being done in the Community and the European Space Agency; and they are not likely to be prepared to go in for large scale public funding. Their views on what needs to be done in the coordination of research are closer to ours. But in the end most members of the Community are likely to see attraction in some intensified 'variable geometry' cooperation in research. OD(E) will be discussing this on 14 May and the Prime Minister will have a separate note on this before her talks with Kohl.

The Foreign Secretary suggests that the Prime Minister should take the opportunity to point out the need to strengthen European cooperation in practical ways. That means agreeing on the European fighter aircraft and ensuring that the French participate and do not go their own way in relation to that project.

/ I am ...



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I am sending a copy of this letter to the Private Secretary to Sir Robert Armstrong.

*Yours ever,  
Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

CONFIDENTIAL





## VISIT BY CHANCELLOR KOHL TO CHEQUERS

## DEVELOPMENT OF THE COMMUNITY

Our Objectives

To persuade Chancellor Kohl:

(i) instead of pursuing the idea of an inter-governmental conference, to adopt instead our proposal that heads of government themselves should take decisions at the June and December European Councils.

(ii) that we are in favour of strengthening European unity in practical ways - internally through completion of a genuine common market and improved decision taking; externally through the strengthening of political cooperation.

Arguments to Use

- Accession of Spain and Portugal major political gain for the Community but do not under-estimate difficulties of adjustment, both for them and for Community:

- relative poverty of the two countries;
- predominance of agriculture in their economies;
- difficulties of adjusting to Community's





industrial economy.

- Will need to work closely with you and the French to ensure that sensible policies adopted in the

Community of Twelve on:

- convergence: will only come about through adoption of the appropriate economic policies. Must be help for the poorest but without increased resource transfers;

- continued reform of balance of spending. Must get northern surpluses under control if we are to contain expenditure on Mediterranean products;

- maximise the economic benefits we can all hope to derive from Community by breaking down the internal barriers. This the key to creation of wealth and employment and to our ability to compete with US and Japan.

- Agree therefore that we should try, before enlargement, to set pattern of Community's future development. This implies substantive decisions at June and, if necessary, December European Councils: nothing that inter-governmental conference can do which European Council cannot do better.

- UK approach based on strengthening European unity:





- internally, through completion of common market for goods and services;
- externally, by strengthening and formalising political cooperation;
- institutionally, through better decision-taking procedures.

#### Internally

- European Council now committed to completion of common market by 1992.
- This remains major area where existing Treaties not yet fulfilled.
- Commission now working on their white paper. We have our own proposals on a timetable [annex A, which may be handed over] covering free movement of goods; free market in financial services; freedom of establishment; and a liberalised, freely competitive transport market.
- This should be an area where UK and Germany can work closely together.
- Hope we can resolve major point of difference between us: freedom of insurance.





- Hope European Council can reach broad agreement on Commission white paper on completion of the common market, in particular a clear timetable for each area, within overall 1992 deadline;

- Commission paper will also give some emphasis to proposals for tax approximation. They will cause problems for all Member States. It is possible to make real progress in completion of the common market. It is a mistake to try to do so by the hardest route. US experience has already shown tax approximation is not necessary to create a single market for goods and services.

- We also look for early progress in deregulation, following up the initiative at the March European Council. We are consulting our business organisations to draw up list of directives which impose real burdens on business. Hope FRG will consider similar steps. Delors keen to take action in response to European Council remit but will need help from Member States.

#### Externally

- UK and FRG the firmest supporters of Political Cooperation. Share view that Europe can most





effectively deploy its considerable influence by acting together in external affairs. Both take responsible attitude towards consultation, observe commitments and avoid springing surprises on partners. Have cooperated in various attempts to strengthen and extend scope of Political Cooperation, most recently Stuttgart declaration.

- Share your interest in development of political cooperation so as to provide an effective basis for cooperation in joint action in world affairs.
  
- Where the Community has not been able to speak with a united voice, its credibility and influence have suffered.
  
- Believe moment now reached to take further important step.
  
- We have drafted a formal agreement on political cooperation (copy at Annex B to be handed over).
  
- Grateful if you would look through this draft and give me your early reactions. If they are positive would then show it to the French, but not to others at this





stage.

- If you agree with our approach, hope we can work together to get it accepted. Formal agreement of this kind would establish political cooperation as a key element in European unity. Would exert pressure on systematic dissidents like the Greeks to honour their commitments.

- Our draft deals with European cooperation for European security in ways which will strengthen and do not cut across our objectives in the Alliance (Article 8 of the draft). This very important.

- Can agree to small political cooperation secretariat. But must be small. Main responsibility for coordination must remain with Presidency. Must not create a new bureaucracy. Can consider a suitable German head of political cooperation secretariat.

Institutionally

- Real positions of Member States not far apart.

- All recognise that, in enlarged Community, greater use will need to be made of the majority voting





provisions of the Treaties if Community is to function effectively.

- Presidency should call for vote on less important matters after full discussion in the Council. But this must be done in ways which will increase confidence in the use of majority voting.

- For the reality in the Council is that no member state will agree to be voted down when very important national interests really are at stake. It would be fatally damaging to the cohesion of the Community to try to vote a member state down on issue of great importance to it and which placed the government in an impossible position vis à vis its own Parliament. On the really important issues, therefore, have to proceed by consensus.

- [Examples: FRG at Dublin European Council could not have accepted a vote on amendments some were proposing to the wine regime. Herr Kiechle has used language based on Luxembourg compromise in the discussions in the Agriculture Council. These are matters which fall under Article 43 of the Treaty -which already provides for majority voting. It is not Treaty amendment which is





required. Neither you nor we could have accepted a vote on vehicle emissions. But in the end a satisfactory solution was found.]

- Key provisions of the Treaty requiring unanimity do so for good reasons. How, for example, could it make sense to switch to majority voting on the seat of the European Parliament (Article 216); New Accessions (Article 237); own resources (Article 201); Capital Movements (Article 71); Harmonisation of Taxation (Article 99); common economic policy (Article 103(2)) etc? [Other examples are set out in list attached.]

- We do not believe best way to achieve results is to call an inter-governmental conference to go through all the Articles of the Treaty. That would take a very long time and lead to uncertain results.

- Better course is for heads of government themselves to reach practical decisions, based on the existing Treaties but designed to make them work better, and which can be implemented straightaway.

- We can agree that there should be more majority voting where the Treaties so provide.





- Where the Treaties require decisions to be taken by unanimity, Member States should make greater use of abstention as provided for in the Treaties.
  
- Where it is agreed that a specific objective should be achieved by a particular date, we might also agree that Member States should seek not to invoke the unanimity rule in relation to the measures necessary for its implementation.
  
- We have reflected these ideas in draft conclusions of the European Council [copy at Annex C which may be handed over].
  
- Do not believe that Treaty amendment is the right route.
  
- Believe that better course would be to make some changes, within existing Treaties, which could be implemented straightaway.

Powers of the European Parliament [As necessary]

- Treaty powers of the European Parliament reflect balance between the institutions.





- It is Member Governments who will remain answerable to their electorate for Community decisions and who are responsible for raising revenue to finance Community policies.
  
- Parliament's draft Treaty would be a recipe for institutional conflict and bring decision taking in the Community to standstill.
  
- For the Community to work institutional balance must remain as in the Treaties. But there is room for:
  - improved and extended conciliation procedure involving more effective and genuine consultation between Council and Parliament at earlier stages;
  - the Parliament making better use of its existing right to put forward proposals for Community action.
  
- Better follow up by the Council of European Parliament resolutions.
  
- What we could agree to on the Parliament is set out in the attached draft conclusions (Annex D).

Chancellor Kohl's Objectives

- (i) To try to persuade the Prime Minister of the need





for action to strengthen the cohesion of the Community and which he can present domestically as constituting progress towards "European union".

(ii) To see whether there is a basis for working with us at the Milan European Council.

Our Response

- European union means different things to different people.

- In UK "union" means the union of England and Scotland ie a unitary state. But we are in favour of greater European unity.

- Do not believe your idea of union dissimilar from our own, ie increasing unity of action where this can achieve practical results in the interest of all Member States.

- Steps I have outlined (completion of common market; formalisation of political cooperation and improved of decision making) would represent single biggest step towards closer unity for many years.





[If Chancellor Kohl advocates Treaty amendment]

- Do not believe that Treaty amendment would make the practical difference that you and we are seeking.
  
- Large number of key Articles of the Treaty have not been applied eg: Article 3 (Completion of Common Market); Article 67 (Capital Movements); Articles 75/84 (Transport) and 59 (Services).
  
- Votes at present are not being taken under the majority voting provisions of the Treaties even when no very important interests at stake.
  
- Not possible to amend the Treaties without unanimous agreement.
  
- What is required is not to amend the Treaties but to apply them; reinforce political cooperation; improve decision taking in real and practical ways; complete the common market.

[If Chancellor Kohl raises the Luxembourg compromise]:

- It is common ground throughout the Community that no member state will accept to be outvoted where it considers a very important national interest to be at





stake. This is true for the Italians over steel quotas; the French over the seat of the institutions; the Irish over milk quotas etc.

- This is not so much a question of the Luxembourg compromise, on which member states take different views, as of the fundamental understanding on which cooperation in the Community is based and the reality in the Council.

- But we are ready to see established a procedure to prevent abuse eg by the Greeks, by requiring any government which invokes Luxembourg compromise (or uses similar language, as Herr Kiechle did in Agriculture Council) fully and formally to explain to his ministerial colleagues in a special procedure of the Council why his government considers very important national interests really to be at stake.





Vehicle Emissions [if raised]

- Cannot start unpicking the outline compromise reached at the last Environment Council.
  
- Concerned to learn German representatives seem to be having second thoughts when it comes to working out the details.
  
- Compromise contained difficult elements for almost everybody: certainly for both the United Kingdom and Germany. But no other compromise possible. Nor are critical engineering factors susceptible to diplomatic bargaining.
  
- Need to stick to what has been agreed.





Other Issues

Trade Issues

- Must not over-stress Summit disagreement on specific timing for new GATT round.
  
- But the French attitude is dangerous vis-à-vis the Americans. Could increase protectionist pressures in US and has already led to moves to increase export subsidies for agricultural products.
  
- This reinforces our concern about cereals prices in the price-fixing: failure to keep them down would increase risk of serious trade conflict.
  
- Summit endorsed new round "as soon as possible" and preparatory meeting "by end of summer": need to pursue common objectives urgently in the GATT to ensure that negotiations can be launched in 1986.
  
- This issue distracted attention from Japan.
  
- Must continue to press for real action to reduce trade imbalance and a genuine opening up of markets rather than simply statements of intent, of the kind we have heard so often before.





- Must emphasise to Japanese that we need results, not best endeavours, if protectionist pressures are to be resisted.

Polish Church Agriculture Scheme (if raised)

- Have considered carefully whether we should contribute: aware of German keenness for EC contribution. But remain unconvinced.
- Real risk that State would be ultimate beneficiary of funds and equipment.
- Support for \$28 million pilot programmes (of little purpose on their own) will inevitably create expectation of (and moral commitment to) support for overall scheme costing anything up to \$2 billion.
- No evidence of scheme's economic viability.
- Cardinal Glemp confirmed to Secretary of State still unclear whether Polish Government will approve scheme: Soviet Union clearly concerned about implications.
- No objection to bilateral national contributions. But could not explain to British opinion UK or EC





contribution in competition with eg Ethiopia.

EC/Turkey (if raised)

- Turkish resentment at EC failure to end freeze in relations growing.

- But, despite UK and FRG efforts, immediate prospects of reverting to more normal relationship (starting with release of some outstanding EC aid) remain slim.

- Danish Government accept political case for unblocking aid but unable to win over their Parliament.

- No use putting squeeze on Greeks until Danes move.

- While we can both keep up friendly pressure on Danes, important that Turks do more to improve their public image.

Early Application for Membership

- Turks well aware we think this would be serious mistake.

- But no point in dwelling on this: would only encourage them to think threat of application gives them some leverage with Community.





### Essential Facts

1. Chancellor Kohl started off by wanting something he could present as a Treaty on European union, including amendment of the existing Treaties to bring about greater majority voting and to increase the powers of the European Parliament. The Germans claim never to have accepted the Luxembourg compromise (which was at the time an agreement to differ) but are in reality no more prepared to be voted down on vital issues than other Member States. Kohl believes that Mitterrand is prepared to abandon some traditional French positions but must realise that there is no chance of getting the agreement of all Member Governments to major changes. Some sections of the German Government share our view of the implications of, for instance, increased powers for the Parliament. Our own lobbying of Kohl's advisers has had an effect. At the March European Council Kohl said that it was important not to enter a conference lightly. It could prove paralytic. The trouble with Europe was that there were too many grand visions and not enough progress.

2. This reflected his desire to work with us. This certainly is genuine: he needs no reminding of the





importance of the security relationship between the UK and FRG. But it is also based on the supposition that it may be possible to work out something which he can present politically as an important step forward. He appears to think in terms of a core grouping within the Community in which he hopes we will participate. But his ideas on the content of new agreements are vague. He is likely to be attracted by the idea of a new formal agreement covering political cooperation. He will, ostensibly at least, want to go further than we would wish on majority voting and the powers of the European Parliament. He would probably still like a conference, but will be tempted to go along with our approach if he thinks it will lead somewhere and be politically valuable for him.

4. The Italians and Benelux will go on pressing for an inter-governmental conference. President Mitterand has not yet made up his mind. He will want to try to present himself as more "European" than us. In reality, however, the French position is not far from our own: they do not want to give substantive new powers to the European Parliament. Nor are they willing to see vital national interests overridden though - subject to maintenance of the Luxembourg compromise - they would be





prepared to amend the Treaty to provide for more majority voting. If, however, we can get Chancellor Kohl on board for our ideas we have a better prospect of persuading the French to accept our approach. Mitterrand wants any conference to produce results before his elections next year and is beginning to realise that this might not happen. He told the Prime Minister in Bonn that he had some sympathy for our approach. If Kohl remained keen on a conference, however, Mitterrand would also support one.

Luxembourg Compromise : Recent Quotes

Germany: In the Agriculture Council on 22 April, Herr Kiechle said that cereal prices was "a point of national interest". In the Agriculture Council on 4 May Herr Kiechle said that Germany would "avail itself of all possibilities open to it to defend its national interests".

France: In a speech in Germany in November 1984, M. Dumas said it was indispensable to maintain "the possibility for a Member State to invoke a vital national interest provided that the Member State justifies it objectively in the Council".

Republic of Ireland: Dr Fitzgerald said in a speech on 22 March: "The outstanding issue of providing for the





exceptional case where a genuine vital national interest of a Member country might be overridden by other Members should be capable of resolution ..."

#### Internal Market

- The Germans profess enthusiasm for the internal market. Like us, they are free traders, and believe that the common market should be open and outward-looking. But they also have a strong instinct to regulate, and this (e.g. under the guise of consumer protection) is the most frequent source of UK complaints about German barriers to trade.

#### Transport

- On road haulage, the Germans regard harmonisation (eg lorry weights) as a precondition for liberalisation. They are anxious to steer traffic towards heavily regulated rail and inland waterway networks. Our interests are therefore likely to continue to conflict. On aviation they have accepted more liberal bilateral arrangements (which are, however, still much more restrictive than those we have with the Dutch). This should make them less resistant to liberalisation at the Community level. They have, however, recently turned down an application by British Caledonian for a package





of cheap fares.

Insurance

- Thanks to EC Directives there is now no obstacle to UK insurers establishing themselves in the heavily regulated German market; but it remains very difficult for the UK industry (notably Lloyds) to trade there on a services basis, i.e. without establishing a company in Germany. The European Court is currently considering cases against the FRG both on this and on the implementation of the Co-insurance Directive. Judgment is now expected early next year. We think it likely that the Court will decide against the FRG, but it remains to be seen how helpful to us its judgment will be. Meanwhile, progress on the non-life insurance directive has come to a virtual halt.

European Community Department (Internal)

10 May 1985





### Vehicle Emissions

8. The March Environment Council struck a political bargain on Community standards for vehicle emissions within which officials were to work up the technical details. On returning home the Germans came under severe criticism from the Greens and other environmentalists (whose votes are keenly sought by both major political blocks).

9. Germans experts now seem to be trying to retrieve the position under the guise of engineering arguments directed in particular to the concessions we obtained on the key issue of standards for medium and small sized cars. The Environment Council agreed that the standard for medium vehicles should be one capable of being met by simple lean-burn technology (cost £150 per vehicle). The Germans are arguing that lean-burn can achieve higher standards. This is true, but only by using complex lean-burn technology which would cost around £500 per vehicle.

10. Others, particularly the French and the Commission, are actively concerned to keep the Environment Council package intact. But we understand that the Chancellor may be recommended to see if he can win the Prime



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Minister's support for setting ambitious Community standards making the assumption (unwarranted) that lean-burn technology can achieve US emission standards without sophisticated additions at unwarranted cost.

European Community Department (Internal)

16 May 1985

CONFIDENTIAL





## UNANIMITY PROVISIONS OF THE EC TREATY

The existing unanimity provisions are listed below. Cases where amendment would give particular difficulty to one or more Member States are marked with an asterisk (\*).

### A: Membership of Community Institutions

- \* 157 - Size of Commission
- 158 - Appointment of Commissioners
- 159 - Replacement of Commissioners
- 165 - Size of European Court
- 166 - Number of Advocates-General
- 167 - Appointment of Judges and Advocates-General
- 194 - Membership of Economic and Social Committee
- 206(4) - Membership of Court of Auditors

### B: Other Institutional Matters

- 126(b) - New tasks for Social Fund
- \* 149 - Amendment of Commission proposals
- 196 - Rules of Procedure of Economic and Social Committee
- 209 - Financial Regulations and other budgetary procedures
- \* 217 - Languages of Community institutions

### C: Protection of Rights of Community Nationals

- 51 - Social security for migrant workers
- 57(2) - Rights of establishment in certain professions
- 59(2) - Extension of freedom of services to nationals of non-EC countries
- \* 75(3) - Common transport provisions likely to have serious effect on standard or living, employment etc.
- 76 - New restrictions on carriers from another Member State
- 93(2) - State aids exceptionally held to be compatible with the Treaty
- 121 - Implementation of common social measures





D: Other Provisions with Major Policy Implications

- 28 - Alteration or suspension of customs duties
- 70(1) - Capital movements between Member States and third countries
- \* 84(2) - Sea and air transport policy
- \* 99 - Harmonisation of indirect taxation
- \* 100 - Approximation of laws, etc
- \* 103(2) - Common economic ("conjunctural") policy measures
- \* 223(3) - Amendments to list of war materials, etc
- \* 235 - New areas of action
- 238 - Association/cooperation agreements with third countries

E: Decisions to be adopted or ratified in accordance with Member States' constitutional requirements, or requiring common accord of Member States

- \* 138(2) - Uniform electoral procedure
- \* 201 - Own resources
- \* 216 - Seat of the institutions
- 231 - Cooperation with OECD
- \* 236 - Treaty amendment
- \* 237 - New accessions
- 239 - Annexation of protocols to the Treaty





PM/85/37

PRIME MINISTER

Political Cooperation

1. In my minute of 15 April on the development of the European Community I said that we were preparing a draft agreement on political cooperation. I suggested that you might look at this with a view to handing it privately to Chancellor Kohl at Chequers and, subsequently perhaps, to one or two other heads of government in the run up to the Milan European Council. The aim would be to ensure that the discussions which will now be engaged anyway on the formalisation of political cooperation take place on the basis of our ideas, rather than those of others. By giving the Milan summit a substantial programme of work in this area, it could also reduce the pressure for progress on other parts of the Dooge Committee report which are less acceptable to us.

2. I now attach a draft agreement together with a commentary. To appeal to Chancellor Kohl, this does need to be a fairly full text covering all the major aspects of political cooperation as it has developed.

3. As you will see, the draft is essentially a codification of what is already happening. The language of virtually all the articles is based firmly on existing texts. I should however like to draw your attention to the following points.

4. This will be an agreement between the member states. The preamble is drafted in such a way as to rule out any question of Community competence (and with it any Commission right of initiative, involvement of the





European Court, etc). It would leave political cooperation in the same relationship to Community activity as at present.

5. Under Article 2 the obligation is to consult. Our record in that regard is second to none. We are not, however, committed to follow the views of others and would not be hindered in any way from acting in defence of essential British interests.

6. Agreement on Article 2.4 would make it much more difficult for any one member state (eg Greece) to have public rows with the others (such as those over the Korean airliner incident and INF deployment). Article 5.2 is intended to put pressure on our partners to take a less shaky line on the Falklands at the United Nations. Article 5.3 protects our position in the Security Council.

7. The short passages on security under Article 8 do no more than state the current practice. Article 8.1 places cooperation among the member states in this area firmly in the context of the contribution we make to the Alliance. Article 8.2 describes what is already going on in terms of cooperation between the member states in joint projects, though it would put some additional pressure on the French in relation to cooperation over the European fighter aircraft.

8. The Ten already discuss in political cooperation non-military aspects of security, in particular East-West relations and CSCE/CDE, UN disarmament issues, and economic aspects of security. The text does not change matters in this regard and,





as drafted, should not worry the Americans.

The Irish will certainly not be able to accept these references to the security cooperation between member states within the Alliance since they do not participate in it. That is their problem. It would, however, be open to them to enter into this agreement while reserving their position on this passage. The references to our existing security cooperation are indispensable for Kohl and the other member states of the Community who are also members of the Alliance.

If you are content with the draft, we shall prepare a German version to be available for your talks with Kohl. I would propose to draw on the content, though not necessarily to hand over the text, when I see Dumas in Paris on 21 May.

I am sending copies of this minute and enclosures to the Secretary of State for Defence, the Attorney General and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office  
26 April, 1985



## ANNEX D

## THE LUXEMBOURG ACCORDS

At the Extraordinary Council session of 28 and 29 January 1966, the Six reached agreement and the following statements were issued:

a. Relations between the Commission and Council

Close co-operation between the Council and the Commission is essential for the functioning and development of the Community.

In order to improve and strengthen this co-operation at every level, the Council considers that the following practical methods of co-operation should be applied, these methods to be adopted by joint agreement, on the basis of Article 162 of the EEC Treaty, without compromising the respective competences and powers of the two institutions.

1. Before adopting any particularly important proposal, it is desirable that the Commission should take up the appropriate contacts with the Governments of the Member States, through the Permanent Representatives, without this procedure compromising the right of initiative which the Commission derives from the Treaty.

2. Proposals and any other official acts which the Commission submits to the Council and to the Member States are not to be made public until the recipients have had formal notice of them and are in possession of the texts.

The "Journal Officiel" (official gazette) should be arranged so as to show clearly which acts are of binding force. The methods to be employed for publishing those texts whose publication is required will be adopted in the context of the current work on the re-organisation of the "Journal Officiel".

3. The credentials of Heads of Missions of non-member states accredited to the Community will be submitted jointly to the President of the Council and to the President of the Commission, meeting together for this purpose.



4. The Council and the Commission will inform each other rapidly and fully of any approaches relating to fundamental questions made to either institution by the representatives of non-member states.

5. Within the scope of application of Article 162, the Council and the Commission will consult together on the advisability of, the procedure for, and the nature of any links which the Commission might establish with international organisations pursuant to Article 229 of the Treaty.

6. Co-operation between the Council and the Commission on the Community's information policy, which was the subject of the Council's discussions on 24 September 1963, will be strengthened in such a way that the programme of the Joint Information Service will be drawn up and carried out in accordance with procedures which are to be decided upon at a later date, and which may include the establishment of an ad hoc body.

7. Within the framework of the financial regulations relating to the drawing up and execution of the Communities' budgets, the Council and the Commission will decide on means for more effective control over the commitment and expenditure of Community funds.

b. Majority voting procedure

I. Where, in the case of decisions which may be taken by majority vote on a proposal of the Commission, very important interests of one or more partners are at stake, the Members of the Council will endeavour, within a reasonable time, to reach solutions which can be adopted by all the Members of the Council while respecting their mutual interests and those of the Community, in accordance with Article 2 of the Treaty.

II. With regard to the preceding paragraph, the French delegation considers that where very important interests are at stake the discussion must be continued until unanimous agreement is reached.

III. The six delegations note that there is a divergence of views on what should be done in the event of a failure to reach complete agreement.



IV. The six delegations nevertheless consider that this divergence does not prevent the Community's work being resumed in accordance with the normal procedure.

The members of the Council agreed that decisions on the following should be by common consent:

- a. The financial regulation for agriculture;
- b. Extensions to the market organisation for fruit and vegetables;
- c. The regulation on the organisation of sugar markets;
- d. The regulation on the organisation of markets for oils and fats;
- e. The fixing of common prices for milk, beef and veal, rice, sugar, olive oil and oil seeds.

Finally, the Council drew up the following programme of work:

1. The draft EEC and Euratom budgets will be approved by written procedure before 15 January 1966.
2. The EEC Council will meet as soon as possible to settle as a matter of priority the problem of financing the common agricultural policy. Concurrently, discussions will be resumed on the other questions, particularly the trade negotiations in GATT and the problems of adjusting national duties on imports from non-member countries.
3. The Representatives of the Member States' Governments will meet on the day fixed for the next Council meeting and will begin discussions on the composition of the new single Commission and on the election of the President and Vice Presidents.

They will also agree on the date - in the first half of 1966 - when instruments of ratification of the Treaty on the merger of the institutions are to be deposited, on condition that the required parliamentary ratifications have been obtained and agreement has been reached on the composition and the presidency and vice-presidency of the Commission.





MWE 013/1	
15 APR 1985	
✓ DTW	

Mr Wells

to pg  
R16/4PM/85/31PRIME MINISTERDevelopment of the European Community

1. At the European Council it was agreed that the Dooge Committee should be wound up, and that there should now be consultations between governments before the substantive discussion at the Milan European Council in June.
2. We have, therefore, secured our objective here, as we have been able to do with the commitments to Budget discipline and to completion of the internal market, the change in direction in the CAP, and the Fontainebleau settlement itself.
3. We have succeeded in this way because we have - as Delors acknowledged at a Community meeting the other day - clearer ideas than most about where we want the Community to go. By pursuing these consistently, in bilateral contacts and at Brussels, we have been able successfully to influence the Community's agenda. We





need now to consider the next phase, for the run-up and follow-up to the Milan June Summit.

#### THE FRENCH AND GERMANS

4. It is my strong impression that the German Government want to try to work out something to which we can agree. In the end they took a sensible line at Brussels on an inter-governmental conference. We have urged them to aim for practical results from the June European Council. I hope this will have an increasing effect on their approach; but it is likely to remain irritatingly erratic.

5. We have both been wondering about Mitterrand's promised "surprise" initiative. Mitterrand's staff tell us that he has not yet decided what precise form this will take. The options include proposals for an extension of majority voting (ie a reduction in the number of Treaty articles requiring unanimity); completion of the internal market; an agreement on political cooperation; some largely cosmetic measures vis-a-vis the European Parliament; and increased cooperation in areas not covered by the Treaties - health, education, culture, internal security, etc. Mitterrand may propose that some more formal status might be given to the European Council. The French talk as





though they would be prepared to consider putting some or all of the above in a new agreement or Treaty. But as you know, I do not believe that the French would really be prepared to go much further than we can on most of the issues - whether majority voting, the powers of the Parliament or the formalisation of political cooperation. Mitterrand may calculate that he can rely on us to block anything which gives the French real difficulty.

6. Many of the ideas being aired by the French, including a new Treaty, appeal, at least emotionally, to others of the original Six. They know, however, that anything which amended the existing Treaties could not be implemented without our agreement. This reinforces the desire which all of them, particularly Dumas, have expressed to work out something which we could agree.

7. Against this characteristically uncertain background, our handling of these issues will be very important to the outcome in June and thereafter. Much will depend on the Franco-German relationship. Despite the public display of cooperation, the French have been finding as much difficulty as we have in their dealings with the Germans, and for the same reasons. They will persevere: not only because they share our interest in keeping the Germans firmly tied into the west European system, but





also because it suits them well to claim that Franco-German cooperation is the key to the development of the Community.

8. Things have, however, moved on a good deal from earlier doctrinal arguments. No one now seriously suggests that a federalist structure is appropriate for a Community of Twelve. Some far-fetched ideas have, of course, been put forward. But thanks to Malcolm Rifkind's efforts in the Dooge Committee and our bilateral contacts with other member governments, we have been able to let much of the air out of this balloon and to get matters moving in a direction we could accept.

9. There is an element of theatre in Mitterrand's approach. But both he and Kohl want something to come of all this because of their genuine concern about the functioning of the enlarged Community. As we saw round the Council table in Brussels, neither is yet fully committed to the idea of a conference, though Mitterrand may still be leaning in that direction.

10. This is something we would prefer to avoid. It would quickly turn into a propaganda exercise with others trying to demonstrate how "European" they can be when it comes to the rhetoric, though not in other more practical





respects. We should insist that these questions should be decided on by the heads of government themselves. We have found some response in both Paris and Bonn to our proposal that the Milan European Council should itself proceed to take decisions on a package of measures which would be seen as a practical development of what has so far been achieved. If further decisions are required thereafter, they should be taken at the December European Council. We should continue to press this line - particularly with the Italians, who may be persuaded that it is likely to be the best way for them to be able to take some of the credit for the next steps.

#### POLITICAL COOPERATION

11. Our success with this approach will depend to a large extent on the shape of the package which is on offer at Milan. What might this be? There is no doubt that Kohl attaches great importance to the formalisation of political cooperation in a new agreement. The French will certainly go along with that. We have always played a leading role in political cooperation and can accept a formal agreement, though it must of course be drafted in such a way as not to tie our hands if we should need to take action ourselves. Others will accept this and the French certainly would not agree to anything that would tie their hands. I suggest that we should aim to produce





our own draft agreement on political cooperation. First, because I believe this would make a very considerable impression on Chancellor Kohl. Second, because whoever puts forward their own ideas will be able to oblige the others to work on that basis. I am in the process of considering a possible text, which I will in due course pass on to you. If you are content with it, you might give it privately to Chancellor Kohl at Chequers. This would help to head him in the direction we want. Depending on his reactions, our draft might subsequently be passed privately to one or two of the other heads of government. It should then form a central part of whatever agreement is reached in June. This would be an intergovernmental agreement. There is no question of bringing political cooperation under the Treaty of Rome, though there should of course be a preambular reference to the cooperation of the participating countries on other matters under the Treaty.

#### INTERNAL MARKET

12. We must also work between now and the Milan Summit to advance our objectives on the internal market. As you know, Delors is strongly committed to progress. To give effect to the Brussels European Council conclusions on the need to achieve a common market by 1992, he will be producing a detailed timetable for action, probably in





June. This will no doubt include some proposals which could give us difficulty. We must therefore aim to influence the Commission's thinking at the drafting stage by steering them towards what is politically feasible over the next few years, and away from issues like tax approximation which are not going to be agreed. Since the Dutch and ourselves will have to carry this forward during our Presidencies next year, the Commission should have an interest in producing a programme with which we can broadly agree. But we will still need to be ready once the Commission's programme has been produced to counter with our own ideas for priorities and targets, covering not only our traditional concerns, but also the outcome of further work on our long term objectives in the internal market, on which Norman Tebbit is currently engaged. We will need to pull these elements together in our own timetable. Another priority will be to carry forward your initiative on deregulation, both in bilateral contacts with our Community partners over the next few months, and at the Milan European Council itself. I shall raise these issues with Delors at Chevening on 13 May. You will want to use your talk with Kohl to get a firmer German commitment to real progress on the internal market.





### DECISION TAKING

13. There will be concern on the part of the others also to reach agreement on decision taking. Here too we should aim to achieve something positive which would not only protect but advance our interests. We share the genuine concern that is felt throughout the Community about the inordinate delays, with the attendant risks of undesirable trade-offs, which could arise in a Community of Twelve if the Council continues to seek consensus on every issue, however trivial. There is also a recognition, whatever others like at times to pretend, that no member state is really prepared to see itself voted down on a vitally important matter. The French idea is that the number of articles of the Treaty requiring unanimity might be reduced, though - and this is the crucial point - this would always be subject to the right to invoke a vital national interest. This idea would have much greater attractions for us if it were accompanied by formalisation of the Luxembourg compromise in the Treaty, since we would be getting the Luxembourg Compromise not just maintained but reinforced. By giving us juridical certainty, this would be a major prize. I am sceptical, however, as to whether it could be secured, even though the Dutch and Germans have said they might be prepared to consider it.





14. We should bear in mind, however, the possibility of using the abstention procedure (article 148 of the Treaty) to get progress on the internal market. If the European Council were to lay down that certain specific steps, eg in relation to the liberalisation of transport policy, insurance, etc, were to be taken by given dates as part of the process of completing the common market by 1992, the heads of government might consider stipulating that, since the objective had been set, Member States should not make use of the unanimity rule to impede implementation of what the European Council had already decided. This would be a political understanding, along the lines of the suggestion which you made in Dublin. It would not require Treaty amendment, and would leave the juridical position intact.

15. On decision taking generally, I consider that we should continue to take the following line:

(a) The European Council should not have to deal with matters that can be disposed of by the Council of Ministers. The Italian Presidency insisted that enlargement issues had to be resolved in the Foreign Affairs Council. Their success shows that this can be done. The European Council must be left free to





debate the larger issues and give a strategic direction to the Community's activities.

(b) The Council of Ministers must not deal with matters that can be dealt with by COREPER. Just as the Council can be directed by the European Council, so COREPER should be directed by the Council of Ministers. We must get other Member States to give the kind of delegated authority to their permanent representatives which we are prepared to give to ours.

(c) We should aim for a statement from the European Council that there can be more majority voting within the existing provisions of the Treaty on non-sensitive issues. It must remain for the Presidency to decide when votes are to be taken. Once again there would be no need for Treaty amendment. Use can also be made of the abstention procedure. It must remain open to any Member State to insist on discussion continuing until unanimous agreement is reached when very important national interests genuinely are at stake. To prevent abuse any Member State insisting that the discussion continue should be required through a special





procedure of the Council formally to explain why very important interests are in fact at stake. The purpose of this is to prevent the sort of abuses we have witnessed from the Greeks and Danes, and in those cases to oblige foreign ministers to account for the actions of their colleagues in the specialist councils. Once again we might consider giving Kohl a paper setting out what conclusions of the European Council we could accept on decision taking. I shall be letting you have a draft that we can consider.

#### THE EUROPEAN PARLIAMENT

16. Others will continue to profess enthusiasm for giving some greater power to the Parliament. The French, however, do not want any real increase in the Parliament's powers. We should point out that the expansion of the Parliament's budgetary powers in 1975, far from reducing, has markedly increased friction with the Council. What is required is for the Parliament to make a more effective contribution through the use of the powers it already enjoys. This should be done by improvement and extension of the conciliation procedure, and in particular by more effective consultation between the Council and the Parliament at earlier stages of the





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consideration of proposals. The Parliament should make more use of its right to put forward proposals for consideration by the Council. Once again this can be done within the existing Treaty powers; there can be no question of extending these. I suspect that when other governments come to consider - as we have done - the realities of this subject, our line will gather increasing support.

17. Some of the others will start by wanting to go further than this, or at least by pretending that they want to do so. I think it most important that we should not sit back and let them come to us with their ideas. We should use the period ahead to steer them in the direction we want. I believe that we shall best be able to do this by retaining the initiative, and developing our own ideas on the lines I have described.

Foreign and Commonwealth Office

15 April 1985





Foreign and Commonwealth Office

London SW1A 2AH

10 May, 1985

CDP  
15/5

Dear Charles,

Chancellor Kohl's Visit to Chequers, 18 May

You asked for the briefing for Chancellor Kohl's visit to Chequers in advance of the Prime Minister's meeting with the Secretary of State on Monday 13 May. I attach briefs on East/West relations, Arms control and disarmament, the European Fighter Aircraft, a note on the internal scene in the FRG, and a summary programme. The brief on the European Fighter Aircraft may well need updating in the light of the Five Nation Ministerial meeting in Rome on 16 May.

I shall send on 15 May any necessary revisions - together with notes for the Prime Minister's speech at dinner, personality notes, and Sir Julian Bullard's scene setting telegram, which will reflect the results of the 12 May Land elections in North Rhine Westphalia.

I have covered in a separate <sup>\*</sup>letter the EC considerations, and Eureka.

Our main objectives on non-EC issues are:

- to prevent a German sell-out to the French on EFA;
- to prevent German restlessness on SDI from leading them to any precipitate action that weakens the US negotiating hand at Geneva.

Kohl will wish also to review the outcome of the Economic Summit (I assume the Prime Minister will not wish to be briefed specifically on this). With the 12 May election results still fresh he might want a short discussion of the political scene in the two countries.

We recommend that the Prime Minister aim to cover these non-EC issues before and over lunch. This will leave the formal sessions clear for the EC issues which require more intensive discussion and more reference to papers. The Foreign Secretary looks forward to joining those discussions before dinner.

\* To follow a.m.  
13 May



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I am copying this letter to Richard Hatfield (Cabinet Office).

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

CONFIDENTIAL





CHANCELLOR KOHL'S VISIT TO CHEQUERS: 18 MAY

Notes for the Prime Minister's speech at dinner

- Welcome Chancellor Kohl back to Chequers.
  
- Chancellor and I see each other frequently as should all good neighbours. Last occasion was Bonn Economic Summit. Congratulations on handling and organisation of Summit. Particularly appropriate that it should have been in Bonn in 40th anniversary year when we commemorate reconciliation between our two countries. Simplistic criticism of Economic Summits now seems fashionable. Also misplaced - large measure of agreement on all substantive issues. How easy life would be if a couple of days discussion could solve the world's problems.
  
- Chancellor last at Chequers a year ago this month. We issued declaration reviewing Anglo-German relations. Extraordinary range of contacts and cooperation.
- Chancellor then delivered his memorable Konrad Adenauer memorial lecture in Oxford.
- This May we commemorate 30 years of diplomatic relations. Anniversary marked in an imaginative way last Thursday by Baron von Wechmar (dinner attended by many former Ambassadors and the Foreign Secretary).
  
- 30th year of relations has been exceptionally rewarding.
- 'Exercise Lionheart' among highlights (110,000 British troops working alongside German forces). Vivid demonstration of our close cooperation in security.
- Joint efforts in wider European defence co-operation, complementary role in North Atlantic Alliance.
  
- Also fruitful year for our partnership within EC. Fontainebleau a landmark. Historic conclusion of enlargement negotiations.
- Focussed today on special opportunity this year to strengthen the Community both externally and internally. Britain and Germany share resolve to achieve even more united and dynamic Europe.





- Our partnership based on shared values, which underpin mutual confidence and trust.
- Often hear comment in Britain and Germany about traditional values espoused by Chancellor and by myself. We share pride in the traditions of individual freedom, diligence and enterprise. By safeguarding these traditions we can better face the challenges of the future.
- Chancellor and I may need an interpreter, but here we speak same language.
- Sir Anthony Eden's message to Chancellor Adenauer on establishment of diplomatic relations concluded that "Much remains to be done before the security of the free world is finally assured, but I know that we shall travel on this road together".
- Still have far to go. But who could then have foreseen how close our partnership would become?
- Wish to pay tribute to achievements of thirty years of friendship and co-operation.





majority voting. If, however, we can get Chancellor Kohl on board for our ideas we have a better prospect of persuading the French to accept our approach, Mitterrand wants any conference to produce results before his elections next year and is beginning to realise that this might not happen. He told the Prime Minister in Bonn that he had some sympathy for our approach. If Kohl remained keen on a conference, however, Mitterrand would also support one.

Luxembourg Compromise : Recent Quotes

Germany: In the Agriculture Council on 4 May Herr Kiechle said that Germany would "avail itself of all possibilities open to it to defend its national interests". On 13 May he said that "the FRG would not be prepared to be outvoted". In a letter to M. Delors on 13 May, Chancellor Kohl wrote: "For us, this issue of price reduction is an essential question in which very important interests in our agriculture, and thus our economy, are at stake, and with regard to which we would find it very difficult to allow ourselves to be overruled in the Council." On 16 May, Kiechle invoked the Luxembourg Compromise in the Council (details to follow).



MO 26/11/9

PRIME MINISTER

EUROPEAN FIGHTER AIRCRAFT

/ I enclose a report which I have sent to OD colleagues of the EFA meeting in Rome.

2. I thought I would write to you personally to set out the background as I see it should you have occasion to discuss this matter with Chancellor Kohl.

3. You will remember that when I first became involved in the discussions on the next generation of fighter aircraft there were two national alternatives - British and French - and both industries were trying to entice other European nations to join their schemes. There are indisputable cost-sharing benefits from such collaboration. Germany had refused to join British Aerospace as they would not make the political commitment to us and they were being actively pursued by the French in furtherance of the Franco-German axis.

4. My interests were twofold. First - if collaboration could be achieved in a way compatible with our defence and industrial interests - it would enable us to secure a single European project which could provide the basis of scale that is available as a matter of course to the Americans. Second - if this failed - it would mean that we could try and ensure that the Germans and others came our way if both projects proceeded.

5. The two objectives are totally linked. The more the Germans are involved with me in trying to persuade the French to accept adequate specifications the more they know that we have genuinely tried to find a common solution. It is most important that Dr Woerner -



the German Defence Minister - is persuaded that at all stages we have played a straight game in the pursuit of a European objective to which he is personally totally committed. As long as he believes this, if the EFA negotiations breakdown because France will not accept the standards that both Germany and ourselves believe to be necessary then the better the chance that Germany will stay with us in any new configuration. Chancellor Kohl may well want to give the French every chance (Dr Woerner told me privately that Chancellor Kohl had sent him last week to see President Mitterand to urge him to take a more sensible view) and Dr Woerner must be able to assure him of the efforts that we have made.

6. In this sense, last night was particularly gratifying as I was often able to let Dr Woerner argue my case for me. At no stage was there any divergence between our position and that of Dr Woerner. It is a principal part of my strategy to keep it that way.

7. As you might expect the Italians and Spanish played relatively little part although all the indications are that at the moment the Italians are firmly behind our position. I doubt if the Spanish will take other than a political decision to join whoever offers them the best industrial package.

8. I would therefore be grateful if, in discussing this with Chancellor Kohl, you felt able to stress the efforts we are making to secure a genuinely European solution. While we cannot sacrifice in the name of collaboration the standards of the Air Force requirements upon which our defence interests depend, as we all face the same threat it should be possible to agree on a common response. You could express disappointment that whilst the industries of Germany, Italy and Spain have all worked closely with our industry to produce common advice to Ministers, French industry still seems unwilling to make this genuinely collaborative effort and appears more interested in getting the rest of us to join their prototype ACX proposals. This would be tantamount to acknowledging French



supremacy in this field, which we do not accept and will not do. We do not believe that the Federal Republic want that either.

9. I hope you would feel able not to speculate on what happens if EFA collapses. I am anxious not to create the impression that we would welcome this or are striving to bring it about. Such an impression can only help the French.

10. We made only limited progress in Rome but it was the French who were very much out on a limb. In that we advanced it was in our direction. I cannot pretend that I yet see a way through but I have no doubt that our tactics to date are standing up.

*[Handwritten signature]*

(Drafted by the Defence Secretary of  
Ministry of Defence signed in his absence)  
17th May 1985





VISIT BY CHANCELLOR KOHL TO CHEQUERS: 18 MAY 1985

EUROPEAN FIGHTER AIRCRAFT

#### Our Objective

- (a) To encourage Chancellor Kohl's support for a collaborative programme which meets the military requirement and provides a fair share of benefits among the partner nations.
- (b) To prevent a German 'sell-out' to the French.

#### Arguments

- (a) EFA crucial test of European ability to collaborate effectively on defence equipment.
- (b) Essential to build plane capable of meeting the Soviet threat.
- (c) "No winners and no losers" only sensible basis for progress.
- (d) British industry (British Aerospace avionics industry, and particularly Rolls Royce) must be allowed to make full contribution.
- (e) Attach importance to sufficiently powerful new EFA engine to permit other applications (including re-engining of Tornado) and effective competition with General Electric. EFA should be capable of taking RB 199 as interim engine.





### Tactical Arguments

(a) Great political and industrial benefits of European collaboration in programme of EFA magnitude.

### His Objectives

(a) To secure rapid agreement on EFA to meet German in service target date of 1995.

(b) To avoid antagonising the French, perhaps at cost of agreeing to dominant French position on design/work shares and/or of reduced performance.

(c) To sustain German aerospace industry developed during Tornado programme.

### Our Response

(a) Have similar in service date requirement.

(b) Studies have shown that 9.5 tonnes would not meet threat. EFA must make sense in cost and performance terms. Implications for mass of aircraft and minimum engine thrust.

(c) Attach importance to meeting RAF requirements. Believe 9.75 tonnes aircraft with space for national equipment and suitably powerful engine would do this. UK and FRG have similar requirement.

(d) EFA important to future of British Aerospace industry too; underlines need for "no winners, no losers".





## Background

1. Defence Ministers of the UK, France, the FRG, Italy and Spain commissioned feasibility study based on 9.5 tonnes Basic Mass Empty in July 1984.
2. Initial industrial studies showed that 9.5 tonnes would not meet requirement identified in European Staff Target. Ministers agreed in November to allow margin of  $\pm$  250 kilos.
3. Separate proposals received in February from French and other 4 industries. Evaluation by UK officials of the proposals show that 9.75 tonnes aircraft, providing space for additional national equipment, would just meet the minimum RAF requirement. French design would not.
4. At industrial, military and procurement staff level, German approach very close to our own. (But in case of hybrid engine approach, would favour use of GE 404, not RB 199).
5. Dr Woerner has told Mr Heseltine he was unwilling to accept French dominance in programme; but he also warned that at Kohl level more political considerations could well determine outcome.
6. Indications that, if prospect of in service date of 1995 for EFA seems unattainable, Germans would opt for American F18.
7. Defence Ministers of 5 nations meet in Rome on 16 May to take stock with view to launching project definition stage.

Foreign and Commonwealth Office

Defence Department

10 May 1985





VISIT BY CHANCELLOR KOHL TO CHEQUERS: 18-19 MAY 1985

European Technological Cooperation/EUREKA

Our Objectives

1. To persuade the Germans that better exploitation of R and D rather than more coordination is the key to European success in technology, and that the way to achieve this lies in establishing a true European market for high technology goods, comparable with the United States, to allow companies fully to exploit the opportunities.
2. To minimise the scope for French wedge-driving between the UK and FRG.

Arguments to Use

- a) UK and German views on what might usefully be done are close.
- b) EUREKA provides opportunity to work out ways of bridging the technological gap between Europe and the US and Japan. Eager to discuss ideas with FRG, France and others to this end.
- c) Believe what is needed is better exploitation of research through opening up European market for high technology goods and services.
- d) This means pressing on with breaking down barriers to trade within Europe, and progress on standards.
- e) But also working on some new ideas. Thinking in terms of a warranty for high technology products and services which would guarantee uninhibited access to all European markets.
- f) Suggest establishment of high level group of officials to discuss this and other ideas, open to those who want to join it.

/g)





g) Do not favour a new Agency or new bodies which would duplicate existing ones, eg in the European Community and the European Space Agency.

Their Objectives

The Germans share our general view on the need for pragmatism in improving European technological base. However Herr Genscher has been directly associated with the launch of the EUREKA proposal and they appear to be prepared to go along to some extent with French proposals for more cooperation in identified sectors, including some publicly funded R&D.

Press Line

A useful exchange on means of improving European technological performance, which revealed a close identity of view.





### Background

1. The French have long been concerned about Europe's technological performance. SDI catalysed this concern into EUREKA, which is not however in their eyes a direct response to SDI.

2. The French at first proposed a new Agency with joint industrial and public funding. But their ideas were little thought out and have since evolved in the light of discussions in the margins of the WEU Ministerial (12/13 April), the Foreign Affairs Council (29/30 April), the Bonn Summit and a series of bilateral meetings. While recognising that a fully fledged new Agency is probably unobtainable, the French still hope to generate a new European research effort in those technologies (eg lasers, new materials, artificial intelligence and space) where the Americans might otherwise get even further ahead as a result of SDI, and in other areas too - eg biotechnology.

3. Like the UK, the Germans oppose a new Agency or reliance mainly on public funding. They share our views on the importance of dismantling trade barriers and see EUREKA as an opportunity to create a variable geometry project within the enlarged Community. They favour the establishment of a high level group to discuss the next steps - probably, however, at State Secretary level.

4. The French, in particular President Mitterrand, have portrayed the UK as hostile to EUREKA, in contrast to the FRG. The Germans are under political pressures following the Bonn Summit to see merit in the French proposals.



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5. OD(E) on 14 May agreed that the UK should take the opportunity of EUREKA to stress the importance of opening up the internal market. At the same time we should be positive towards EUREKA both by expressing a willingness to take part in a high level group and by developing and advocating a proposal for a warranty for new high technology products and services to guarantee their uninhibited access to all European markets. It was also agreed that SDI and EUREKA should be kept separate.

Foreign and Commonwealth Office and Cabinet Office  
16 May 1985

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VISIT BY CHANCELLOR KOHL TO CHEQUERS : 18-19 MAY 1985

ARMS CONTROL AND DISARMAMENT (INCLUDING SDI)

Our Objectives

1. To reassure Germans that our views coincide on main issues; to counter any German restlessness over Geneva/SDI; to stress need to break log-jam in CW negotiations.

Arguments to Use

2. Geneva : First round confirmed talks long and hard. Alliance patience vital in coming months. Must maintain convergence of European views keep differences with US in perspective, without ducking key issues.
3. Must not let Russians get away with propaganda. West should keep initiative in talks as a whole. In particular, need to convince US that logic of offensive/defensive relationship calls for agreement at Geneva on scope of permitted space/defence activities over next decade.
4. INF : Soviet position on START/INF predictable : no great impact so far from propaganda. Russians likely to come up with new position before long with Dutch decision in mind. Alliance position right. But should be ready to produce more specific ideas at proper moment - possibly in Autumn round with Gorbachev visit to UN and summit in prospect.
5. SDI participation : Should identify national opportunities first; be realistic and pragmatic about possibility of concerted European response; not let wider SDI implications be obscured. Remain sceptical US will allow fair share in research. Premature to decide forum for any joint action.
6. CW : Main outstanding problems are non-production and challenge inspection. Recognise German problems, but removal of non-production issue would help isolate Russians.





### Tactical Arguments

7. SDI : Competing loyalties to US, France etc can be resolved on basis of firm criteria for managing Alliance debate :
- prudent hedge against Soviet efforts
  - Camp David four points
  - avoid prejudging political decisions beyond research

Must keep in close touch over French attitudes to participation and related issues.

8. ABM/SALT compliance : Debate in Washington intensifying. Will need to work hard to ensure arguments in favour of respecting both treaties are fully heard. Europeans should get their views across.
9. CW : Unlike its FRG counterpart, UK industry content with our non-production proposals.

### His Objective

10. To discuss SDI, particularly from the angle of a possible joint European response on participation; to keep INF in forefront of Alliance discussion.

### Your Response

11. SDI participation must take account of practical realities, particularly if French attitude cools. Must avoid any precipitate action that weakens US negotiating hand in Geneva or helps Soviet wedge-driving.

### Press Line

12. We had an opportunity at the Bonn Economic Summit to touch on arms control issues. Today we reviewed the Alliance's position in more detail. As ever, British and German views were very close across the whole spectrum of these issues. We confirmed our support for US efforts to achieve progress at Geneva. And we brought each other up to date on our respective consideration of the US invitation to participate in SDI research.



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VISIT BY CHANCELLOR KOHL TO CHEQUERS: 18-19 MAY 1985

EAST/WEST RELATIONS

Our Objectives

To exchange assessments of the current state of East/West relations and likely Soviet tactics under their new leadership.

Arguments to Use

- a) Soviet Foreign Policy has sharper presentation and quicker reaction than for a number of years. But Vienna meetings confirmed again no change in substance.
- b) Gorbachev's public initiatives on arms control have been pure propaganda so far. But presentation much improved.
- c) Soviet tactics are clearly aimed to divide Europeans from US - strong criticism of US, attacks on US sincerity at Geneva. Very evident at Gromyko/Howe meeting in Vienna.
- d) Soviet public line likely to remain unchanged for some time to try to put pressure on US in Geneva talks.
- e) But Gorbachev's first priority is Soviet economy. No question of easy solutions. No indication of fundamental reform.
- f) Made clear to Russians our rejection of tendentious points in Gorbachev's 8 May speech.
- g) Importance of keeping channels open to Russians and East Europeans. Gromyko to UK later this year, although dates still under discussion. FRG plans for contacts with Russians?



His Objectives

To give German impressions following President Reagan's visit to FRG.

Your Response

a) Alliance unity important. West must take every opportunity to reaffirm our will for dialogue but also to show Soviet Union wedge-driving is not succeeding. Long-term, realistic approach.

Press Line

Useful exchange of views on general East/West issues in light of recent contacts with Soviet Union and East European countries.

Background

1. The Prime Minister last met Chancellor Kohl at the Bonn Economic Summit, 2-4 May.
2. Cooler atmosphere in US/Soviet relations evident in 40th Anniversary commemorations. President Reagan's Strasbourg speech of 8 May proposed 4-point plan to reduce military tension but in context of fairly strong criticisms of communism and Soviet Union.
3. Gorbachev's 8 May speech in Moscow sharply critical of US policy. Allegations that "US leadership" had inspired German revanchism. Nod in direction of wish for return to detente but context was a heavily distorted view of history, Soviet achievements and harsh attack on past and present Western policy. Mr Renton made clear our views to Soviet Ambassador on 10 May.





and  
4. Useful meeting between Sir G Howe/Gromyko in Vienna on 15 May. Covered Geneva talks, especially SDI, CSCE and human rights, Berlin air corridors and bilateral relations. Atmosphere good; no particular frostiness post expulsions, though no response on Gromyko visit to London. A lot of wedge-driving, with focus on SDI.





CHANCELLOR KOHL'S VISIT TO CHEQUERS: 18 MAY 1985

BACKGROUND BRIEF AND BASIC STATISTICS ON FRG

UK/FRG Relations

1. Our efforts to raise the profile of our contribution to German security and remove lingering doubts about our commitment to Europe, are bearing fruit. Since the January bilateral summit the chief problems have resulted from the Germans' unusually tenacious pursuit of interests within the EC over vehicle exhaust emission controls, linkage between ORD and enlargement and now agricultural price-fixing (cereals). Major issues up to and beyond Milan will include SDI and Eureka, EFA, and the "Future of Europe". The next full bilateral summit will be in Bonn probably in November.

FRG Internal

2. The SPD's overwhelming victory in the North Rhine Westphalia (NRW) election on 12 May have shaken the CDU. It suffered heavily from abstentions and defections to the SPD. This followed a similar result in Saarland in March. Diepgen won well in Berlin but conditions here are different from the FRG.

3. These results reflect the relative strengths (Diepgen in Berlin, Rau in NRW and Lafontaine in Saarland) of local candidates, and local economic conditions (above average unemployment in NRW and Saarland). The usual mid-term disenchantment with the Government of the day has also played a role. However the Chancellor and his Government have a serious image problem. Kohl is criticised rightly for failure to impose direction and discipline. The Coalition has been buffeted by a series of mishaps (Kiessling, Flick, Silesian expellees rally, Bitburg) which can be blamed on Kohl's deficiencies. Kohl may reshuffle his Cabinet eventually to revitalise its image. But this could let in Strauss. Defence Minister Woerner continues to look vulnerable. Kohl's own position is still relatively secure, despite some grumblings in the ranks.

4. The Coalition has suffered from the unpopularity of its austerity policies. Unemployment remains high with little prospect of any substantial reduction this year. The CDU will seek to portray itself as the party best placed to tackle unemployment in the run-up to the 1987 elections. Kohl will come under pressure to make at least presentational changes.

5. Unemployment aside, the Coalition has a good story to tell on the economy. The budget deficit has been reduced, growth this year may marginally exceed last year's 2.5%, monetary targets have been met and inflation has been lower than at any time in 15 years. Export performance continues to be impressive and investment trends (outside construction) are encouraging.

6. It remains likely that the present Coalition will win the 1987 elections not least because of the recovery of the FDP. But the SPD which seemed out of the hunt six months ago is back in business.





On Rau (Minister President in NRW) they may have a plausible, moderate Chancellor candidate. But the left/right struggle is unresolved and at federal level they do not yet look like a plausible alternative government.

7. SPD Chairman Brandt's crack a few months ago that the Greens had passed their peak looks close to the mark, at least in the industrial parts of Germany.



GERMANY : BASIC STATISTICS



Germany

UK

Population (millions)	1983	61.4	56.4
	1984 (P)	61.2	56.4
Labour Force (millions)	1983	27.5	26.7
	1984	27.4	27.1
Unemployed (per cent of civilian Labour Force)	1983	9.1	12.3
	1984	9.1	12.6
Gross Domestic Product (billion dollars)	1983	653.1	455.1
	1984 (P)	616.1	426.3
GDP per capita (dollars)	1983	10636	8070
	1984 (P)	10070	7559
Annual Rate of Growth of GDP (%)	1983	1.3	2.5
	1984	2.5	2.0
Annual Rate of Growth of Industrial Production (%)	1983	0.6	3.0
	1984	4	0.8
Consumer Prices (%)	1983	3.3	4.6
	1984	2.4	5.0
Balance of Payments on Current Account (million dollars)	1983	4000	3419
	1984 (P)	6270	68
<u>Defence</u>			
Spending (% of GDP)	1979	4.1	4.6
	1982	4.1	5.3
Total Armed Forces (thousands)	1979	495.0	322.9
	1983	495.0	320.6
	1984	495.0	325.9

Trade

United Kingdom exports to FRG (£m)	1983	6068.7	
	1984	7458.0	
United Kingdom imports from FRG (£m)	1983	9665.7	
	1984	11090.2	

Sources

OECD : Quarterly Labour Force Statistics  
OECD : Main Economic Indicators  
DTI : Overseas Trade Statistics of the UK  
IISS : Military Balance 84/85



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RUHFUS, Dr Jurgen

State Secretary (ie PUS) responsible for Economic Affairs, Federal German Foreign Office.

Born 1930. After university studies in law and management, he joined the Ministry of Foreign Affairs in 1955. Served in Geneva, Dakar and Athens. He was a highly successful Ambassador to Kenya from 1970-73. After 3 years as Assistant Under-Secretary in charge of European and politico/military affairs in the Foreign Office in Bonn, he was transferred to the Federal Chancellor's Office in 1976. From 1976-79 he was Chancellor Schmidt's principal foreign policy adviser. His attitude to Britain, always friendly, became warmer still in the immediate aftermath of the Mogadishu hijacking episode in which he was very closely involved. 1980-83 a much liked FRG Ambassador in London.

In 1984, on his return to Bonn, he spent a few months as Deputy Secretary responsible for relations with the Third World before being promoted to his present appointment, where his major preoccupation is the European Community.

Tall, relaxed but sharp. Married with three children. Excellent English.

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TELTSCHIK, Horst

Deputy Secretary in the Federal Chancellery responsible for foreign policy.

X  
Born 1940 in the Sudetenland (now Czechoslovakia). Evacuated at the end of the war to Bavaria where he grew up. Military service, 1960-62. Studied political science at the Free University, Berlin, 1962-67. Assistant Lecturer at the University, 1968-70. From 1970-72 he was Head of the Foreign and Security Policy Department in CDU Headquarters in Bonn where he was one of those advocating a less hard line CDU approach to Brandt's Ostpolitik. In 1972, he transferred to Mainz to become personal assistant to Kohl who was then Minister-President of Rhineland Palatinate. In 1976, when Kohl moved to Bonn to take over as leader of the CDU/CSU Parliamentary Party in the Bundestag, he brought Teltschik back with him as his Parliamentary Private Secretary. During this time Teltschik became Kohl's chief speech writer and close adviser on foreign policy and accompanied him on official visits abroad, including London in 1976 and 1982. He moved with Kohl into the Chancellery in October 1982.

X  
Teltschik has prospered from his association with Kohl. Although his appointment to the Federal Chancellery was something of a surprise, given his relative youth and inexperience, he has made a major and widely recognised success of it. He is one of the small group close to the Chancellor which comprise his 'kitchen Cabinet' and under him the influence of the Federal Chancellery over foreign affairs has grown considerably - at the expense of Genscher and the Auswärtiges Amt. Teltschik has taken a particularly close interest in the formulation of European and EC policy. He appears to share Kohl's idealistic enthusiasm for 'European Union' and hopes that the special relationship with France will act as a motor for European integration. He has been inclined in the past to question our commitment to Europe but may be increasingly convinced.

Speaks reasonable English. Married with two children.

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# INDEX

- A Political Co-operation
- B Draft European Council Conclusions  
on Decision Taking
- C Das Europäische Parlament
- D Luxembourg Compromise
- E Internal Market: Action Programme



DRAFT AGREEMENT  
ON POLITICAL COOPERATION

THE MEMBER STATES OF THE EUROPEAN COMMUNITIES,

MINDFUL of the many agreements which already bind them,  
in particular, the Treaties establishing the European  
Communities,

HAVING DECIDED to confirm and strengthen the commitments  
which they have undertaken in European Political  
Cooperation so as to provide an effective basis for their  
cooperation in joint action in world affairs,

HAVE AGREED AS FOLLOWS:

ARTICLE 1

The Member States undertake to work for the following  
objectives, for which purpose they have established  
European Political Cooperation:

- To ensure by means of regular consultations and



exchanges of information a broad identity of views on the main problems of international relations;

- To ensure that their combined influence is deployed in the most effective way through the concertation of their views, the alignment of their positions and, particularly, joint action.

## ARTICLE 2

1. Member States shall consult on all important questions of Foreign Policy, including the political and economic aspects of security.
2. Such consultations shall take place before the Member States adopt final positions on major Foreign Policy questions of interest to them all.
3. Each Member State shall take full account of the position of its partners and give due weight to the desirability of the adoption and implementation of common European positions when working out national positions and taking national action.



4. The Member States shall make every effort to avoid action damaging to their joint reputation as a coherent force in international relations.

#### ARTICLE 3

The work of Political Cooperation shall be carried out under the general guidance of the European Council. The structure is set out in Annexes I and II, which may be amended by unanimous agreement.

#### ARTICLE 4

1. The Member States shall ensure maximum coherence between the external policies of the Communities and the policies agreed in European Political Cooperation. In particular, unless in any particular case all Member States agree to the contrary, the Commission shall be invited to all meetings of Political Cooperation.

2. The Member States shall ensure that the European Parliament is informed of developments in Political Cooperation.



3. The provisions of this agreement shall not affect the provisions of the treaties establishing the European Communities.

#### ARTICLE 5

1. In organs of international organisations, and at major international conferences, in which all Member States participate, they shall work for common positions in accordance with Article 2.

2. In particular a Member State shall not support a resolution in such organs or conferences which directly criticises or might gravely affect the vital interests of another Member State. The Member States shall also work to avoid a situation where one or more of them co-sponsor a resolution which another or others of them vote against.

3. In organs of international organisations and at major international conferences in which not all Member States participate, those which do participate shall take into account common positions adopted in Political Cooperation.



## ARTICLE 6

1. With the aim of making their joint diplomacy effective, the Member States shall ensure that the necessary contacts are established with third countries and regional groupings of interest to them.

## ARTICLE 7

1. The Member States shall work to intensify cooperation between their missions in third countries and accredited to international organisations. The aim of such cooperation shall be to enable missions to perform their functions more effectively and economically through mutual assistance, shared facilities, shared information and joint action.

2. In particular Member States shall work both to take advantage of local opportunities, and to establish general schemes, for strengthened cooperation in third countries on the matters listed in Annex III. That annex may be amended by unanimous agreement.



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## ARTICLE 8

1. The Member States agree that closer European cooperation on security matters is an essential component of the effort to develop Europe's external political identity. The aim of such cooperation shall be to maximise the contribution which Member States can make to the objectives of the organisations specifically established to guarantee Western security, in particular the North Atlantic Treaty Organisation and Western European Union.

2. Member States shall also work to enhance their contribution to the objectives of the Alliance and other relevant bodies by strengthened cooperation in the design, development and production of military equipment and systems.

3. The Member States are determined to maintain the technological and industrial conditions necessary for their security. They shall work both individually and, as appropriate, through their joint institutions for this end.

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ARTICLE 9

Signature and Entry into Force

(The usual final clauses on signature entry into force  
etc would be added.)



ANNEX I: THE STRUCTURE OF POLITICAL COOPERATION

(a) The Presidency of Political Cooperation shall be held by the same Member State as holds the Presidency of the Communities.

(b) The Presidency shall be responsible for the day to day management of Political Cooperation. It shall in particular be responsible for the timetable and other arrangements for meetings, and for the preparation of and circulation of drafts, agendas, conclusions and other necessary texts.

(c) The Foreign Ministers shall discuss Political Cooperation matters formally at least four times per year, and informally as appropriate. These discussions may take place on the same occasion as meetings of Ministers in the Community framework.

(d) The Political Directors shall meet monthly in the Political Committee in order to maintain the continuity of Political Cooperation and to prepare discussions among Ministers.

(e) The Working Groups of experts from the Foreign Ministries of Member States, whether of a continuing nature or ad hoc to deal with particular problems, shall meet as directed by the Political Committee.



(f) The Political Committee or, if necessary, a Ministerial meeting, shall convene within 48 hours at the request of three Member States.

(g) The Presidency shall be assisted by a small Secretariat based in the main place of work of the Community. The office space and services shall be provided by arrangement with the Council Secretariat. The Head of the Secretariat shall be appointed by agreement among the Member States.

(h) The functions of the Secretariat, which shall work under the direction of the Presidency, will include those set out in Annex II. The size and functions of the Secretariat may be amended by unanimous agreement.

(i) Formal Political Cooperation meetings at Ministerial level may take place in the capital of the Presidency. At official level they will normally take place at the places of work of the Communities unless otherwise agreed.



We ought to  
break to change  
for dinner.

Agree a short press  
line?



ANNEX II: FUNCTIONS OF THE POLITICAL COOPERATIONSECRETARIAT

The Secretariat shall:

- (a) Advise the Presidency as necessary on the conduct of Political Cooperation, in particular on maintaining coherence between the external policies of the Community and the policies agreed in European Political Cooperation;
- (b) provide support for Political Cooperation meetings - including as necessary the preparation and circulation of texts, keeping of records and preparation of conclusions;
- (c) assist the Presidency in the preparation of texts to be issued on behalf of the Member States including replies to European Parliament questions;
- (d) keep a Political Cooperation archive;
- (e) prepare, and update as necessary, a full codification of Political Cooperation rules and practices.



We've resisted this  
for 3 years.

By the Germans want  
to contribute nationally,  
well and good. But  
there's no reason for  
the Community to get  
involved. It's a new area  
of Community aid.



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ANNEX III: AREAS FOR COOPERATION AMONG THE MISSIONS OF  
MEMBER STATES IN THIRD COUNTRIES

1. Exchange of Political and Economic Information.
2. Shared Information on Administrative Problems.
3. Mutual Assistance and Sharing of Organisational Infrastructure.
4. Cooperation on Communications.
5. Exchange of Information and Joint Planning for Local Crises.
6. Cooperation on local Security Measures.
7. Cooperation on Consular Matters.
8. Cooperation on Health Matters.
9. Cooperation on Information Matters.
10. Cooperation on Cultural Matters.
11. Cooperation on Development Aid Matters.

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We had a long ~~detailed~~  
and very friendly & constructive  
talk in which we concentrated  
on the future of the European  
Community, which will be the  
main subject at the June  
European Council in Milan.

Some <sup>interesting</sup> ideas were ~~expressed~~  
<sup>(especially on the strengthening of political cooperation)</sup>  
put forward, and will be followed  
up in discussions between officials  
We ~~felt~~ felt that ~~on~~ ~~most~~ of  
~~the~~ issues discussed our views  
<sup>in general</sup> were very close ~~and~~

We also covered East/West  
relations, Arms Control, the Strategic  
Defence Initiative, the European Flight  
Aircraft and ~~general questions of economic~~  
economic & social problems in both our  
countries.





Draft European Council Conclusions: Decision-Taking

The European Council agreed that, if real progress is to be made towards European unity, the Community must improve its capacity to take decisions.

The European Council concluded that the following measures, which could be implemented without delay, would make a radical improvement to the Community's ability to take decisions of practical benefit to its citizens. It called on all the institutions of the Community to co-operate in taking these steps.

Each year the European Council will adopt a brief statement of the Community's major priorities for action with, where appropriate, specific timings and targets as the basis for the Council's activities over the following twelve months.

In the enlarged Community more use will need to be made of the majority voting provisions of the Treaties.

Where the Treaties require decisions to be taken by unanimity, Member States agree to make greater use of abstention as provided for in Article 148(3) of the EC Treaty. In particular, where the Council agrees that a specific objective should be achieved, it may also be agreed that Member States will endeavour not to impede progress by invoking the unanimity rule in relation to the measures necessary for its implementation.

If the Community machinery is to work effectively, decisions must be taken at the most appropriate level. The Council of Ministers must not abdicate its responsibilities by referring issues to the European Council, which must be left free to play its strategic role of giving direction and political impetus to the Community. Similarly, the Council must ensure that issues are resolved to the fullest extent possible in COREPER.





Member Governments can make a significant contribution to effective decision-taking by giving their Ministers and representatives a mandate to negotiate which not only reflects their national interest in the issue but takes account of the need to make the Community itself work more successfully.

To help the Community achieve its priority objectives the Council invites the Commission to weed out each year any proposals which are hopelessly blocked. At the same time, the Commission should draw the Council's attention to cases where progress has been unnecessarily delayed.





## European Parliament

These measures can only bring about more rapid and effective decision-taking if all the institutions of the Community are fully associated with them. If the views of the European electorate are to be fully represented in the Community, the European Parliament should make a greater contribution to the Community legislation and decision-making. Accordingly, the European Council reached the following conclusions:

- The Parliament should be invited to make more use of its right to put forward proposals for Community legislation, where appropriate in close consultation with the Commission, so that in such cases the joint view of the European Parliament and Commission can be set out before the Council begins to consider proposals for legislation.
  
- The Council and European Parliament should reach early agreement on the improvement and extension of the conciliation procedure, with a view to more effective consultation between the Council and the Parliament at an earlier stage in the consideration of proposals.
  
- For its part, the Council will undertake to follow up resolutions of the Parliament or, if the Parliament wishes, explain its reasons for not doing so.





LUXEMBOURG COMPROMISE





Where, in relation to a proposal, a Member State considers that very important national interests are at stake, discussion should continue until unanimous agreement is reached. In order to prevent abuse of this procedure, any member of the Council who insists that discussion should continue should be required to explain fully and formally, through a special procedure of the Council, why his government considers such interests to be at stake.



## COMPLETION OF THE COMMON MARKET

### Objective

By 1990, to create the integrated common market which the founders of the Community foresaw as the basis for growth in the Community economy and the international competitiveness of its enterprises.

### Method

Community to concentrate efforts on proposals which make a real and immediate contribution to opening up the common market. Proposals with less direct impact to be given lower priority.

### MAIN TARGETS FOR ACTION BY 1990

#### 1. Action on obstacles to free movement of goods within EC

##### (i) Frontier procedures

- full implementation of single customs document by 1988.
- progress in computerising customs and VAT procedures with a view to interlinking member states' and Commission systems so that formalities at intra-EC frontiers can be minimised.
- remaining frontier procedures to be streamlined so that traffic is not avoidably delayed (save for spot checks).

##### (ii) Free movement of goods

- the model directive on health and safety standards to be applied to specific products, facilitated by mutual recognition of member states' national standards and of their testing and certification procedures.
- adopting common or compatible standards for major new technologies (such as information technology, telecommunications and advanced manufacturing techniques) so as to open up public purchasing and satisfy major-user requirements.
- adoption of Community patent and trade mark rules.
- more attention to be devoted to ensuring compliance with Article 30 EEC.



2. Free market in financial services

- adoption of genuinely liberal non-life insurance services directive.
- liberalisation of financial services market including housing credit, shares, unit trusts and commodity futures and options.
- progressive abolition of exchange controls and other restrictions on capital movements in accordance with 1960 directive.
- scrutiny of differences in the administrative treatment given to domestic and to locally-established businesses.

3. Full freedom of establishment

- pharmacists, architects (both 1985).
- remaining professions, including accountants and engineers.

4. Liberalised, freely competitive transport market

- abolition of road haulage quotas by 1990.
- elimination of principal distortions of competition by 1988 (full application of state aids rules, including transparency, to all transport modes; harmonised basis for coverage of road costs following adoption of first ANTS directive in 1986).
- removal of barriers to provision of shipping services by 1987 (liberalisation of cabotage; elimination of flag discrimination in trades with third countries).
- greater competition in civil aviation between member states by 1986 (particularly on route access, capacity and pricing); removal of capacity controls and limitations on access by Community carriers by 1990.
- international coach services fully liberalised by 1988.



Making European business more competitive, both within the Community and on world markets

- measures to promote labour market mobility and flexibility.
- more attention to be devoted to ensuring compliance with Community rules on state aids.
- opening up public purchasing, especially in the new technologies.
- positive action to reduce burdens on small businesses.
- improving the climate for direct collaboration between European firms in particular in R and D.