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From the Private Secretary

19 May 1985

Dear Gen,

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL:  
DEVELOPMENT OF THE EUROPEAN COMMUNITY

I enclose a record of the Prime Minister's discussion with Chancellor Kohl on the development of the European Community.

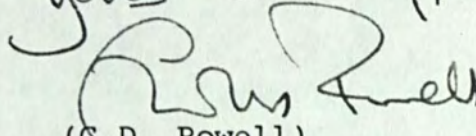
In general the discussions went well and the Chancellor seemed well content - and perhaps a bit relieved - by what he heard (an exception being the European Parliament). He appeared keen to work up proposals which the FRG and the UK could sponsor jointly at Milan, preferably also drawing in the French. I was struck that he never once, in the course of the day, referred either to European Union or a new Treaty.

In the course of the discussions, the Prime Minister handed over to Chancellor Kohl and his accompanying officials the British draft of an Agreement on political co-operation and timetable for completion of the internal market. After the meeting, I gave Herr Ruhfus and Herr Teltschik copies of the draft conclusions for the European Council on decision taking, since the Prime Minister had drawn extensively on these in the discussions. On the Prime Minister's specific instructions, we did not hand over the draft conclusions on the Luxembourg Compromise or on the European Parliament.

It was agreed that there should be very early discussions between officials on the British papers and also on the question of a technological Community. Discussions on the latter should involve Sir Robin Nicholson on our side. They should take place late next week after the Foreign Secretary has met M. Dumas but before Chancellor Kohl's meeting with President Mitterrand on 28 May.



I am copying this letter and enclosure to Rachel Lomax (HM Treasury), John Mogg (Department of Trade and Industry) Henry Steel (Law Officers' Department) and David Williamson (Cabinet Office). It should be given only a very restricted distribution within departments.

*Yours sincerely,*  
  
(C.D. Powell)

Len Appleyard, Esq.,  
Foreign and Commonwealth Office



PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL:  
DEVELOPMENT OF THE EUROPEAN COMMUNITY

Present:

Prime Minister	Chancellor Kohl
Mr. D.F. Williamson	Herr Ruhfus
Mr. C.D. Powell	Herr Teltschik

The Prime Minister said that the future development of the European Community would be the main issue for the European Council at Milan in June. She had been giving thought to how best to organise work on this. She did not think that an Inter-Governmental Conference would help. It might also raise exaggerated expectations. Rather to her surprise, she had found that President Mitterrand shared this view. It would be better to use the mechanism of the European Council itself. This had served the Community well over the two years since the Stuttgart Council.

The Prime Minister continued that there were two main areas where she thought that substantial progress was possible. The first was political co-operation. We had worked up the text of a formal Agreement on Political Co-operation which she wanted to give Chancellor Kohl in confidence. We had not yet shown this to anyone else, and she would prefer knowledge of it to be closely restricted. It covered consultation on both political and security questions. Such an Agreement would represent a major step forward towards common European positions and action on international questions. The second area was completion of the internal



market on which we had worked out a timetable for action. She would give the Chancellor a copy. The Commission were also working on such a timetable.

Chancellor Kohl thanked the Prime Minister for the documents and suggested that his officials have a first look at them straight away. He had a few immediate comments. He certainly did not want an Inter-Governmental Conference for its own sake. If the European Council in Milan was able to reach agreement in principle it would be necessary to put officials to work on the details, so there could be agreement at the December European Council. It did not much matter how one described this follow-up. But if no progress were made at Milan, there would be no point in a follow-up meeting.

Chancellor Kohl continued that he very much agreed with the Prime Minister on the desirability of a formal Agreement on Political Co-operation. We would not find Germany an obstacle to that, though others such as Greece and Denmark might be more difficult. He hoped very much that the United Kingdom, France and the FRG could get together to work up ideas which all three of them could sponsor at the Milan European Council. He therefore urged us to put our ideas to the French as well. The Prime Minister said that the Foreign Secretary would do so shortly to M. Dumas.

Chancellor Kohl said that he was fully in favour of a timetable for work on the internal market. The goal of completion by 1992 had been approved by the European Council. The Dooge Committee had done some useful work and the Commission were committed to producing a paper. Germany would not be an obstacle even though it had difficulties over insurance. There should be priority too for liberalisation of transport and capital transfers. The Prime Minister said that the Commission must not be allowed to make tax harmonization or approximation a condition of completion of the internal market. Chancellor Kohl continued that he did not think that M. Delors' ideas on monetary union were helpful or realistic. A much closer convergence of economic policies had to be



achieved first.

Chancellor Kohl said that one area in which he believed there were differences between Britain and the FRG was institutional reform. He had no major proposals to make in this field. But he did not think that the European Parliament could remain in its present state. There was also the question of the veto, which might be maintained for financial questions (he spoke of a "financial veto"). But he wanted to make clear that financing was not a particular problem for Germany: he recognised that the FRG would remain the main paymaster of the Community.

Chancellor Kohl continued that an issue of particular concern to him was to achieve a more effective European voice on defence and security issues. There were at present two Europes: one for trade and one for defence. The Prime Minister pointed out that Article 8 of the British draft Agreement provided for consultation in this field. Chancellor Kohl said that he would study the draft on this point. He was open to any suggestion that would work. An alternative which he had considered would be to use the WEU. This would avoid problems over Greece and Ireland. The Prime Minister said that she had two instinctive reactions to this: it was a mistake to try to separate foreign policy and security (Chancellor Kohl agreed); and there was a risk of alienating the US and Canada. It would be disastrous if the effect were to reduce their commitment to the Alliance. There was also the position of Turkey and Norway to be considered: and the fact that Spain and Portugal might well want to be associated with co-operation on security questions. Chancellor Kohl acknowledged these factors. He was already concerned about the dangers to the Northern flank. The Prime Minister referred to the difficulties caused by France's absence from NATO's integrated military structure. Chancellor Kohl denied that this was a major problem. The French were doing everything short of integration, for instance co-ordinating their military exercises with those of NATO forces.



When discussion resumed after a break to read the documents which the Prime Minister had handed over, Chancellor Kohl said that he thought that the Federal Republic would be able to agree broadly with them. There should be early discussions between senior officials. He hoped that France could also be drawn in. But on political co-operation and the internal market, his reaction to the British ideas was basically positive.

Chancellor Kohl continued that one aspect which he and the Prime Minister had not yet covered was that of a technological Community. The French clearly attached great importance to this and would probably provide proposals for discussion at Milan. The Dooge Committee had also covered this subject. The Prime Minister said that French ideas were imprecise. The basic problem in Europe was not a shortage of research but inability to exploit it. She would be reluctant to set up yet another agency. There was scope for greater co-operation between companies, which governments could facilitate. It was also important to ensure full access to the Community market, including public procurement, for the products of European high technology firms. She proposed that there should be further contacts between British and German officials on this.

Chancellor Kohl reverted to the issue of decision-taking. The Prime Minister said that it was clear that no member state would agree to be voted down when a very important national interest was at stake. This had been demonstrated in the last few days by the Federal Republic. There had to be consensus on the really important issues. But on other matters there was a tendency to apply the majority voting provisions of the Treaty as though they required unanimity. This could be corrected: and more use could be made of abstentions. Another possibility would be for the European Council to adopt each year a statement of priorities for action with a timetable for reaching decisions, with agreement not to insist on unanimity. Unless the Community made more use of the existing majority voting provisions, it would prove



difficult to reach decisions in the enlarged Community. The Prime Minister continued that she saw no need to alter the Treaty: all that was necessary could be achieved by altering current practice within the Treaty. Chancellor Kohl acknowledged that there would always be cases where vital national interests were involved. But the veto should not be invoked too often.

Chancellor Kohl asked whether the Prime Minister saw scope for increasing the powers of the European Parliament. The Prime Minister said that she did not. The Spinelli proposals, if ever implemented, would paralyse the Community. Nor could she conceive of granting the European Parliament revenue-raising powers. That was a matter for national parliaments. Chancellor Kohl suggested that it would be impossible to maintain a position in which a directly elected Parliament had only consultative powers. The Prime Minister disagreed. The Parliament already had important powers, arguably too many, for instance in the budgetary process. Unfortunately it showed no sign of using these powers responsibly. There were a few minor respects in which it could be given a fuller role: more use of its right to make proposals for Community legislation, in consultation with the Commission, and improvements in the conciliation procedure. But the Council must always have the last word. Chancellor Kohl agreed on the final point. But the Parliament's frustration would increase and it would decline in quality unless it were given greater powers. This was a point on which he and the Prime Minister disagreed. Fuller discussion would be needed.

Chancellor Kohl asked whether the United Kingdom proposals for formalising political co-operation provided for a Secretary-General. The Prime Minister said that there would be a modest secretariat but there was no provision for a Secretary-General. It was essential to avoid too much bureaucracy.



Chancellor Kohl asked what would happen if some member states of the Community refused to accept a formal Agreement on Political Co-operation. Would it be possible for those who were ready to take part to go forward on their own. The Prime Minister said that this would require careful thought.

EDP.

19 May 1985