

PRIME MINISTER

BILATERAL WITH CHANCELLOR KOHL

You are to have a brief meeting with Chancellor Kohl at mid-day on Sunday in Toronto. He will come to your hotel. Given the short time available, you will want to concentrate on a few key issues and leave the remainder for discussion in more relaxed circumstances at Chequers on 9 July.

You might start by saying that Sir Peter Walters has given you an account of his very interesting talks with the Chancellor. You very much agree about the need to get across to public opinion in both countries the fact that Britian and Germany enjoy an excellent relationship and work very closely together on all major issues. You would like to discuss at Chequers ways in which we can give practical expression to this fact.

You might next refer to the problem of the football hooligans and say that you regret the appalling behaviour of some English fans in Germany. You are grateful for the work of the German police and for the way in which they have co-operated closely with the British agencies involved.

You might move on next to the question of credit support for the German work-share of the Tornado package for Jordan. All the details are now in place and the only lacuna is the failure of the Germans to agree so far to provide credit for their share. You will want to press him hard on political grounds. The wrong decision by the Germans would have very serious consequences: King Hussein would feel deeply let down by the West and would in all likelihood renew contacts with the Soviet Union about the purchase of MIG 29s. You cannot see why the Germans should have any political reservations: the Israelis have so far made no complaint and the Americans have made no difficulties about releasing all the US equipment involved in the Tornado. This is a chance for Germany to play an out-of-area role without deploying military forces. You attach very great importance to this issue in the present

volatile situation in the Middle East.

You will want to touch briefly on Toronto Economic Summit issues. There is a chance for the Summit to take an important step forward on debt relief for the poorest countries. You hope that the Germans will be ready to make genuine concessions through interest rate cuts or writing off commercial debt. It would be a pity if Germany was isolated in taking a more restrictive approach. You will also want to say that the Summit must be a step in getting the EC and the US into serious negotiation about agriculture before the Mid-Term Meeting. The EC cannot just rest on what was achieved under his chairmanship at the Brussels European Council, important as that was. We shall not be asked at Toronto to do more but to show willingness to do more.

Finally, you will want to deal with one or two of the issues for the European Council in Hanover. You can congratulate him on the work the German Presidency has done on the Single Market, particularly on capital liberalisation and road haulage. The two points you will particularly want to stress are:

- monetary co-operation. Any study must concentrate on practical steps such as greater use of the ecu and wider cross-holdings of Community currencies in foreign exchange reserves rather than on futuristic propositions like a central bank, and it must be carried out by Central Bank governors and Finance Ministers not by wise men with no responsibilities.
- the so-called social dimension (or "social area"). It is ridiculous to suggest that the completion of the single market somehow needs to be balanced by special measures to benefit employees. Nothing will benefit employees more than the extra job creation with will be involved in completion of the single market. What is needed is to continue the process of deregulation rather than putting extra burdens on

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business. You are not prepared to participate in social engineering, based on a false prospectus that it will create jobs.

*C.A.*

Charles Powell

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