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SUBJECT

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cc: Sir P. Cradock

10 DOWNING STREET

From the Private Secretary

4 May 1984

EC BUDGET

The Prime Minister rang Chancellor Kohl at 1800 hours this evening to give him an account of her discussions with the President of France earlier in the day. As the Chancellor was at his home interpretation was provided by his wife (I understand that Mrs. Kohl was a professional interpreter).

The Prime Minister began by complimenting the Chancellor on the lecture which he had delivered at Oxford on Wednesday 2 May. She then said that she had had a fairly lengthy talk with President Mitterrand about both the EC Budget problem and the London Economic Summit.

With regard to the former, she had explained that she wanted a settlement to be achieved as soon as possible and preferably by the time the European Election campaign began. There had been considerable discussion of the detail of the system for future financing and there had been some discussion of figures. President Mitterrand had explained the difficulties which he was having with other EC partners, for example, the Prime Ministers of Greece and Italy. Eventually he had agreed that M. Dumas should make contact with Chancellor Kohl and Herr Genscher to see if a budget settlement could be agreed between Britain, France and Germany, following which the agreement of other EC member states would be sought.

With regard to the Economic Summit, she had described to President Mitterrand Chancellor's Kohl's wish that there should be a statement on democratic values and a further statement on international terrorism. President Mitterrand had viewed both of these ideas favourably.

The Prime Minister said that she had been quite pleased with the talks which had taken place in a good atmosphere, indeed in an atmosphere almost as friendly as the talks she had had with Chancellor Kohl on 2 May.

Chancellor Kohl commented that he was glad to hear this account. Presumably M. Dumas would make contact with him in Bonn on Monday. He had much enjoyed his visit to Chequers and to

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Oxford. The Prime Minister concluded the conversation by saying that the Chancellor's visit had been very successful.

I am sending copies of this letter to David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

SECRET

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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