

PRIME MINISTER

MEETING WITH CHANCELLOR KOHL

The main subject of discussion was the development of the European Community. You put to him a programme for completion of the internal market and a proposal for formalising political co-operation arrangements. He reacted positively and hoped that we could agree on a position which both Britain and Germany could sponsor - ideally with France - at the European Council. He did not mention European Union or a new Treaty: and did not seem unduly attached to an Inter-Governmental Conference. You were able to exploit, to some effect, German resort to the Luxembourg compromise at the Agricultural Council. But there was a clear difference of view on the European Assembly with Kohl wanting to increase their powers. He also appeared susceptible to French views on technological co-operation.

You also discussed SDI on which there was broad agreement: he described it as 'morally and <sup>materially</sup> ~~nationally~~ justified'. But he remains keen on a joint European position on participation in SDI research. He had some quite interesting information on the problems facing Gorbachev eg drug problems among Soviet soldiers in East Germany. He promised to press Mitterrand further on the European Fighter Aircraft.

C D P

C.D. Powell

22 May 1985