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PRIME MINISTER

MEETING WITH CHANCELLOR KOHL

You have a bilateral with Chancellor Kohl in Berlin on Friday afternoon. He will be accompanied by Herr Teltschik.

Kohl has had some setbacks recently - poor election results in Bremen and Schleswig-Holstein, outmanoeuvred by Genscher on the INF issue, under attack from Strauss - which will make him prickly. He may show signs of irritation at our suspicions that he did a deal to secure the release of a German hostage.

At the same time we disagree with the Germans on several important current issues:

- the Gulf, where we think they are too pro-Iranian;
- INF, where they gave way too easily on Pershing 1As;
- Falklands, where they seem to be moving towards support for the Argentine resolution;
- arms control, where they show signs of pressing for early negotiations on short-range missiles;
- EC issues where their position on CAP reform and on additional resources is very soft;
- hostages, where they seem to have engaged in a deal; and
- South Africa where they (or Genscher at least) support a declaration of principles and an EC sponsored meeting of South African opposition groups.

It is likely to be a difficult meeting.

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You will want to start by saying how sorry you are that you cannot stay for his speech in the evening.

To make his life easy, you might then ask for his assessment of Honecker's Visit and what practical results we can expect from it. Kohl has agreed to pay a return visit. It will be awkward, from the point of view of Berlin's status, if he were to meet Honecker in East Berlin.

Other aspects of East/West relations will presumably have been dealt with in the IDU discussion. You might move on to arms control. You can congratulate him on successfully keeping the PIAs out of the INF agreement itself (I doubt its worth raking over whether they could have been salvaged altogether). You will want to stress your conviction that now is not the time to show signs of readiness to negotiate on short-range missiles. Rather we need to stress the vital continuing role of US nuclear weapons in Europe to our security.

He will expect you to say something about Woerner's candidacy to be Secretary-General of NATO. ~~The advice is that you should not commit yourself.~~ I rather wonder whether it is realistic to stall much longer. Others are declaring themselves. We do not seem to have an alternative candidate. At the least, you should look him in the eye and say that Woerner is a very strong candidate.

You might ask Kohl to give you a personal account of the circumstances surrounding the release of the German hostage and refer in a general way to the great dangers of striking deals.

On South Africa, you will want to urge the Germans not to make or support proposals for EC statements or initiatives, particularly in the run-up to CHOGM.

You will want to urge Kohl to stick to a German absention on Falklands at the UN. Surely the principle of

self-determination must be crucial for the Germans. Slippage in the EC vote only encourages unrealistic expectations from the Argentines.

I would be inclined to clear all this out of the way before getting down to EC issues. On this the FCO brief is far too mushy. The fact is that the Germans are out to block CAP reform, and in particular stabilisers, and are showing signs of being soft on additional resources. You will want to bring home to Kohl that he cannot shield his farmers indefinitely from CAP reform. Stabilisers can and do work, for example on milk and on beef. It is only by extending them and having a really firm guideline for agricultural spending that we will ever get the Community's finances on a proper footing. It may be that the Germans will have to give nationally-financed income aids to their farmers; but the Community as a whole cannot go on as at present. You are determined to seize this opportunity to introduce effective and legally binding financial restraint and will not agree to extra resources without it. This must be in the long-term interests of Germany as well. You are ready to sit it out until after the French elections if necessary. But Britain cannot be expected to go on meeting an open-ended financial commitment to the CAP while also financing across the exchanges the 66,000 British soldiers and airmen in Germany. You have tried for a long time to keep these two issues separate, but cannot do so indefinitely if there is no attempt to put the Community's finances right.

C.D.P.

Charles Powell

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