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MR POWELL (10 Downing Street)



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PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL ON 25 SEPTEMBER

with CDP?
Lyn Parker's letter of 18 September included as you know a recommended line to take on EC issues. In briefing the Prime Minister you may find it helpful to take into account in addition the following points.

a. Given that this is at present the Prime Minister's last scheduled meeting with Chancellor Kohl before the Copenhagen European Council at the beginning of December, it is clearly important that he be left in no doubt of the strength of her views: we shall not secure a package of the kind we need at Copenhagen without first getting the Germans (as well as the French) to accept and support our aims on budget discipline and the control of agricultural spending.

b. Lyn Parker's letter referred to the essentials of the "common approach" which the Germans share with us on many of the key future financing issues. This is true in principle, but less so in practice. As you will have seen from the Paymaster General's minute of 18 September, during the recent Budget Council the Germans showed themselves ready to accept budget proposals which would have prejudiced the future financing negotiations; Mrs Chalker's talks in Bonn on 16 September (Bonn Telno 719) showed that on present form they "are not prepared to accept really strict budgetary discipline"; and their concern about their farmers and maintaining rural life always inhibits their approach to getting economic sense into the CAP.

c. Against that background it seems important to get over to the Germans that

- while our approach to the Copenhagen Council will be thoroughly positive and, if possible, we would prefer to get an agreement then, the Prime Minister really does mean what she says in stressing that we are not prepared to address the issue of an increase in the Community's resources unless agreement is first reached on effective and enforceable control over Community spending, particularly agricultural spending;



- like the Germans we believe that there must be effective stabilisers for each agricultural commodity: but we think that wherever possible these should operate in-year if they are to restrain expenditure in time;
- while we recognise the political sensitivity of agricultural issues in Germany price reductions work against British farmers too. All Community farmers need to be more responsive to the market.

2. You may also like to note that on set aside, we are not only "prepared to consider such ideas": we took the initiative last autumn in putting forward a paper on the subject for discussion by Agriculture Ministers. We await with interest Commission proposals on this due this autumn.

J H HOLROYD

22 September 1987



CHEKMAN

MIS VISIT

PT 7



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