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PRIME MINISTER

MEETING WITH SIR CHRISTOPHER MALLABY

You are to see Christopher Mallaby briefly tomorrow morning. This is in place of the meeting you would have normally had before he went to Bonn, but which had to be cancelled at the last moment.

The main subjects on which you might tackle him are:

- Relations with Chancellor Kohl. I have put in the folder the telegram recording his first talk with Kohl. You have subsequently agreed that we should lay on a special photo opportunity at the forthcoming meeting at Chequers, that future Summits should be less cumbersome and that they should be held outside London. If Christopher Mallaby has any further gestures which would help confirm that relations between you and Chancellor Kohl are in good shape, they would be very welcome.
- Forthcoming European Council at Hanover. Kohl's intentions on the internal market seem sensible but there are definite grounds to worry about the proposed discussion of financial and monetary co-operation. Is Kohl going to allow himself to be seduced by the French into a study by wise men of a European Central Bank? If so, he must be warned that you are not going to agree to this. The proper place to look at aspects of financial and monetary co-operation is ECOFIN and you will want to see it pursued there. Finance Ministers are the people with responsibility in this area and it is ludicrous to by-pass them in such a sensitive area in favour of those whose interest is academic or dilettante.

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- Meeting at Chequers. Since the European Council will be out of the way by then, the main subjects seem likely to be East/West relations and defence. There are worrying signs that the Germans are trying to buy their way into Soviet favour by extending loans and credit: and Kohl is falling over himself to get to Moscow. You will need to urge caution and to remind him that President Reagan has got as far as he has in relations with the Soviet Union by standing firm on principle rather than by bending and compromising.

The format of the Chequers meeting is - at Kohl's request - the usual restricted one of one adviser a side.

- Economic Summit. It seems clear that the Germans are going to be difficult over agriculture and that there will be cracks in the EC façade on this issue at the Economic Summit. How far does Christopher Mallaby think the Germans will be prepared to go when the chips are down?

C D P

C. D. POWELL

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