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STRASBOURG EUROPEAN COUNCIL: KOHL'S PREOCCUPATIONS

SUMMARY

1. AN IMPORTANT SUMMIT FOR KOHL. GERMANY NOW AT CENTRE OF WORLD STAGE. THIS IS GRATIFYING, BUT A GREAT DEAL IS AT STAKE FOR KOHL PERSONALLY. HE KNOWS THAT HE NEEDS TO MANAGE POLICY ON THE GERMAN QUESTION SO AS TO HAVE HIS PARTNERS' SUPPORT.
2. EMU AND DEVELOPMENTS IN EASTERN EUROPE ARE THE TWO SUMMIT TOPICS THAT MATTER TO HIM. BOTH ARE TRICKY. ON EMU, FACES CONFLICTING POLICY INTERESTS. HE MAY OR MAY NOT AGREE TO AN INTER-GOVERNMENTAL CONFERENCE (IGC): HE WILL NOT DO SO UNCONDITIONALLY. HE WOULD LIKE TO SEE THE UK ON BOARD.
3. ON EASTERN EUROPE, HE WILL BE PRIMARILY INTERESTED IN PRACTICAL ASSISTANCE ESPECIALLY TO THE GDR. HE WANTS THE COMMUNITY TO REMAIN OPEN TO EASTERN EUROPE BUT FOR NOW HE IS LIKELY TO WANT TO AVOID SPECULATIVE - AND POSSIBLY DIFFICULT - DEBATES ABOUT LONG-TERM INSTITUTIONAL RELATIONSHIPS.
4. HE WILL SIGN UP TO THE SOCIAL CHARTER AND WILL BE INSTINCTIVELY RECEPTIVE TO A SINGLE MARKET PACKAGE.

DETAIL

5. KOHL IS ON THE HIGHEST WIRE OF HIS LIFE. IF HE HANDLES THE GERMAN QUESTION WELL HE SHOULD WIN THE GENERAL ELECTION IN ONE YEAR'S TIME. THAT WOULD GIVE HIM A CHANCE OF GOING DOWN IN HISTORY AS THE MAN WHO ENSURED GERMAN UNITY. BUT PUTTING A FOOT WRONG ON THE GERMAN QUESTION COULD LOSE HIM THE ELECTION. THE NEXT FEW MONTHS - OR POSSIBLY WEEKS - COULD MAKE OR BREAK HIS PROSPECTS. HE KNOWS IT. THE INTERNATIONAL LIMELIGHT IS GRATIFYING YET SOMEWHAT ALARMING. THE FEDERAL REPUBLIC IS NOT ACCUSTOMED TO ACTING ON ITS OWN IN PURSUIT OF GOALS NOT SHARED BY OTHERS AND, THE HANDLING OF KOHL'S TEN POINTS SHOWED THE LACK OF DEFTNESS AND EXPERIENCE. KOHL WANTS TWO THINGS THAT MAY NOT BE ENTIRELY COMPATIBLE: TO BE THE

ONE TO MAP THE ROUTE TO UNITY AND ALSO TO RETAIN THE SUPPORT AND COMFORT AT ALL STAGES OF HIS ALLIES AND PARTNERS. THE BUSH ADMINISTRATION HAS BEEN ASSIDUOUS IN ITS PUBLIC SUPPORT. BUT THE EUROPEAN NEIGHBOURS, NOT EXCLUDING FRANCE, ARE TRICKIER FOR KOHL TO HANDLE.

EMU

6. CHANGE IN EASTERN EUROPE AND THE PROCESS OF GERMANY COMING TOGETHER POSE LONG-TERM DILEMMAS FOR THE FEDERAL REPUBLIC'S POLICIES IN THE COMMUNITY, BUT FOR THE TIME BEING KOHL WISHES TO MINIMISE THIS TENSION. THE CONSENSUS IN BONN IS THAT EVENTS IN EASTERN EUROPE AND THE GDR MAKE PROGRESS AND INTEGRATION IN THE COMMUNITY ALL THE MORE IMPORTANT AND URGENT, AS A FACTOR FOR STABILITY IN EUROPE AND AS A BEACON OF SUCCESS, PROSPERITY AND FREEDOM SHINING EASTWARDS - A PROPOSITION WHICH THE GERMANS CONSIDER BUSH TO HAVE ENDORSED. THE FEDERAL GOVERNMENT ACCEPTS EMU AS THE NEXT MAJOR GOAL AFTER THE SINGLE MARKET. KOHL IS FEARFUL THAT ANY HINT OF GERMAN RELUCTANCE ABOUT GOING STRAIGHT FOR EMU WILL BRING FORTH FROM FRANCE THE MORTIFYING REPROACH THAT GERMANY IS DRIFTING EASTWARDS. POLITICAL CONSIDERATIONS POINT STRONGLY TOWARDS AGREEING TO AN IGC AT STRASBOURG.

7. BUT KOHL CANNOT DO SO UNCONDITIONALLY. POEHL, WAIGEL AND OTHERS HAVE CONVINCED HIM THAT THERE ARE RISKS FOR PRICE STABILITY, THE VALUE OF THE DMARK AND THE INDEPENDENCE OF THE BUNDESBANK IN A RUSHED IMPLEMENTATION OF DELORS STAGES 2 AND 3. SO KOHL'S INSISTENCE ON COMPLETION OF STAGE 1 AND PROPER PREPARATION OF STAGES THEREAFTER WILL BE GENUINE. HE NEEDS TO SHOW DOMESTIC OPINION THAT THE INTEGRITY OF GERMAN ECONOMIC MANAGEMENT AND INSTITUTIONS HAS BEEN SAFEGUARDED AND THE INTRESTS OF GERMAN BUSINESS PROTECTED. FAILURE ON THIS SCORE COULD OPEN UP A SERIOUS SPLIT WITHIN THE CDU/CSU AND AFFECT THE ELECTION.

8. THESE CONFLICTING INTERESTS HAVE CAUSED KOHL TO SEEK TO ATTACH CONDITIONS TO GERMAN ASSENT TO AN IGC. HE HOPES TO AVOID SAYING NO TO MITTERRAND WHILE WINNING TIME FOR PREPARATION FOR AN IGC THAT WILL BE CREDIBLE IN THE EYES OF HIS FINANCE MINISTER, THE BUNDESBANK AND THE GERMAN FINANCIAL AND BUSINESS COMMUNITY GENERALLY. HE WILL HIMSELF DECIDE EXACTLY WHAT COMPROMISE TO PLUMP FOR AT STRASBOURG, AND IS KEEPING HIS CARDS HIDDEN EVEN FROM HIS OWN ADVISERS. IT LOOKS AS THOUGH HE MAY SEEK TO AVOID SETTING A DATE FOR AN IGC. BUT HE WILL REMAIN ACUTELY SUSCEPTIBLE TO FRENCH PRESSURE. (DAMAGING LEAKS FROM THEM, TO THE EFFECT THAT HE IS WAVERING, WOULD FOR

INSTANCE GIVE HIM SHIVERS). HE WILL WANT TO AVOID THE ISOLATION OF THE UK AND WILL BE INTERESTED IN COMMON CAUSE ON THE MODALITIES OF PREPARATION FOR AN IGC PROVIDED THESE APPEAR TO FACILITATE RATHER THAN BLOCK THE COMMUNITY'S SUBSTANTIVE ABILITY TO MOVE TO EMU.

9. IN ORDER TO HELP IN AVOIDING A DECISION NOW ON A DATE FOR AN IGC, HE MAY TRY HIS PLOY OF PROPOSING INSTEAD AN END DATE FOR COMPLETION OF THE WHOLE PROCESS BRINGING IN 1994, THE DATE OF THE NEXT EUROPEAN ELECTIONS, HAS OTHER ADVANTAGES FOR KOHL. HE MEETS THE ACCUSATION THAT A EUROPEAN CENTRAL BANK WOULD BE UNACCOUNTABLE BY PROPOSING AN INCREASE IN THE POWERS AND RESPONSIBILITIES - ESPECIALLY FINANCIAL - OF THE EUROPEAN PARLIAMENT. AN IGC, HE ARGUES, SHOULD STRENGTHEN THE POLITICAL UNION AS IT CREATES THE FRAMEWORK FOR THE ECONOMIC AND MONETARY UNION.

EASTERN EUROPE

10. THE OTHER BIG AGENDA ITEM FOR KOHL WILL BE DEVELOPMENTS IN EASTERN EUROPE. HE WILL WANT THEM GIVEN DUE TIME BUT NOT AT THE EXPENSE OF GETTING EMU SORTED OUT. FOR HIM THERE WILL BE TWO ASPECTS: LONG-TERM COMMUNITY STRATEGY TOWARDS EASTERN EUROPE (WITH EMPHASIS ON PRACTICAL HELP RATHER THAN SPECULATION ABOUT INSTITUTIONAL ARRANGEMENTS) AND THE POLITICAL - AND EMERGING ECONOMIC - CRISIS IN THE GDR. IN RELATION TO THE FIRST, MY GUESS IS THAT HE WILL AGREE TO MITTERAND'S EUROPEAN DEVELOPMENT BANK, BUT ONCE AGAIN TRY TO CLAW BACK SOME SUBSTANCE THROUGH SETTING CONDITIONS. ON THE SECOND, HE WILL SEE THE FRG AS BEING PRIMARILY RESPONSIBLE FOR COMING TO THE AID OF THE POPULATION OF THE GDR, BUT HE WILL WANT EARLY PROGRESS TOWARDS AN EC/GDR AGREEMENT AND MAY WELL SEEK AN ASSURANCE THAT THE COMMUNITY WILL RESPOND QUICKLY AND GENEROUSLY WITH EMERGENCY AID SHOULD THE NEED ARISE THIS WINTER. THINKING HERE ON THE FUTURE ECONOMIC RELATIONSHIP BETWEEN THE TWO HALVES OF GERMANY IS STILL EMBRYONIC AND KOHL MAY NOT BE ESPECIALLY ENLIGHTENING. BUT THIS WOULD BE A GOOD MOMENT TO EXTRACT A PLEDGE THAT ECONOMIC OPENING UP BETWEEN THE FRG AND THE GDR WILL BE DONE ON A BASIS THAT GIVES ALL COMMUNITY PARTNERS THE SAME CHANCE AS THE FRG IN THE ENLARGED GERMAN MARKET.

SOCIAL CHARTER AND SINGLE MARKET

11. KOHL FAVOURS THE SOCIAL CHARTER AND WILL SIGN UP HAPPILY. HE PROBABLY WILL NOT HAVE THOUGHT MUCH ABOUT THE SINGLE MARKET RECENTLY. THERE IS A CABINET DECISION TO INSIST ON GERMAN RESERVED RIGHTS IN THE EC MERGER REGULATION. IF THE PRESIDENCY FLOATS THE PACKAGE OF SINGLE MARKET MEASURES WE HAVE PROPOSED TO THEM, KOHL'S INSTINCT WILL BE TO WANT TO AGREE AND TO TRY TO FIND A WAY ROUND HIS

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