

CONFIDENTIAL

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TO DESKBY 051430Z FCO

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FOLLOWING PERSONAL FOR PRIVATE SECRETARY

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL: 9 JUNE

SUMMARY

1. KOHL A STRONG ADMIRER OF THE PRIME MINISTER. CONVINCED THAT UK HAS MUCH TO CONTRIBUTE TO UNIFICATION OF EUROPE. IMPORTANT NOW FULLY TO EXPLAIN OUR IGC OBJECTIVES, AND OUR DIFFICULTIES WITH SOME GERMAN PROPOSALS. WITHOUT BRITISH-GERMAN CONVERGENCE ON SOME OF THE ISSUES, DANGER OF GERMAN DISILLUSIONMENT THAT NEW BRITISH STYLE ON EUROPE HAS NOT AFFECTED SUBSTANCE OF POLICIES.

2. KOHL'S OTHER PREOCCUPATIONS: REGENERATION OF FORMER GDR AND RELATIONS WITH THE SOVIET UNION AND EASTERN EUROPE.

DETAIL

3. THE PRIME MINISTER CAN EXPECT TO FIND KOHL IN GOOD FORM, DESPITE THE SPD'S RECENT SUCCESSES AND CURRENT LEAD IN THE POLLS. THERE ARE STILL THREE AND HALF YEARS UNTIL THE NEXT FEDERAL ELECTIONS. IT IS LIKELY, DESPITE MUCH LOOSE TALK, THAT THE PRESENT COALITION WILL LAST UNTIL THEN. KOHL'S FEELINGS TOWARDS THE UK ARE WARM: HE HAS MADE IT WIDELY KNOWN THAT HE IS DELIGHTED WITH HIS RELATIONSHIP WITH THE PRIME MINISTER, WHOM HE HAS DESCRIBED AS 'A STROKE OF LUCK FOR EUROPE'. HE ENJOYED HIS VISIT TO EDINBURGH ON 23 MAY: THE ORATION MAKING THE CASE FOR HIS HONORARY DEGREE WAS BETTER, ONE OF HIS STAFF TOLD US, THAN ANYTHING EVER SAID ABOUT HIM IN GERMANY.

STATE VISIT

4. ONE WAY TO GET THE TALKS OFF TO A GOOD START WOULD BE FOR THE PRIME MINISTER TO REFER TO THE SOUNDINGS I AM CURRENTLY TAKING HERE ABOUT THE POSSIBILITY OF A STATE VISIT BY THE QUEEN TO GERMANY IN MID/LATE OCTOBER 1992. MR MAJOR MIGHT EXPRESS HIS OWN

WARM INTEREST IN THE IDEA OF SUCH A VISIT DURING THE BRITISH PRESIDENCY OF THE EC: IT WOULD UNDERLINE AS NOTHING ELSE COULD THE IMPROVEMENT IN BRITISH/GERMAN RELATIONS. KOHL PROBABLY WILL BE UNAWARE SO FAR OF MY SOUNDINGS IN THE AUSWAERTIGES AMT, AND WILL BE DELIGHTED AT THE IDEA OF A STATE VISIT.

EUROPEAN UNION

5. AS IN HIS GOVERNMENT POLICY STATEMENT OF 30 JANUARY, KOHL STRESSED AGAIN IN HIS EDINBURGH SPEECH THAT THE UK HAD AN INDISPENSABLE CONTRIBUTION TO MAKE TO THE UNIFICATION OF EUROPE. THE IMPORTANCE HE ATTACHES TO KEEPING US IN THE CONVOY HAS BEEN INDICATED BY HIS RECENT INSISTENCE TO OTHER EUROPEAN LEADERS ON THE NEED TO HOLD THE KEY IGC DECISIONS UNTIL THE SECOND HALF OF THE YEAR.

6. THIS ACT OF WARMTH IS NOT UNCONDITIONAL. A RETURN IS EXPECTED. BEARING IN MIND THE PRIME MINISTER'S UNDERTAKING TO PUT BRITAIN AT THE HEART OF EUROPE, KOHL UNDOUBTEDLY HOPES - IF HE IS NOT ACTUALLY BANKING ON THE ASSUMPTION - THAT BEFORE LONG HMG WILL BE IN A POSITION, POSSIBLY FOLLOWING A GENERAL ELECTION, TO SHIFT ITS POSITIONS SUFFICIENTLY THAT A PACKAGE PRESENTABLE AS A SUBSTANTIAL FURTHER STEP TOWARDS EUROPEAN UNION CAN BE AGREED AMONG ALL TWELVE. HE WILL BE KEENLY INTERESTED IN THE PRIME MINISTER'S OBJECTIVES FOR THE MAASTRICHT EUROPEAN COUNCIL, AND IN OUR LIKELY FREEDOM OF MANOEUVRE AT THAT JUNCTURE. HE WILL WANT TO COME AWAY ON 9 JUNE FEELING THAT HE HAS LOCATED THE PRIME MINISTER'S NEGOTIATING BALLPARK. TO RETAIN HIS CONFIDENCE AND TO AVOID LATER DISILLUSIONMENT, IT WILL BE IN OUR INTEREST FOR KOHL TO UNDERSTAND NOW WHERE OUR STICKING POINTS LIE. HE WILL BE THE READIER TO ACCEPT THESE IF THE PRIME MINISTER CAN MAKE IT CLEAR THAT HE SHARES THE GOAL OF REAL PROGRESS IN BUILDING EUROPE. KOHL'S EUROPEAN VISION IS IN PRACTICE TEMPERED BY COMMON SENSE AND POLITICAL CALCULATION. WHERE WE CAN MAKE A REASONED CASE FOR PROCEEDING DIFFERENTLY, KOHL WILL BE PREPARED TO LISTEN AND CONSIDER COMPROMISE.

EMU

7. KOHL WILL BE AWARE THAT HMG WISHES NEITHER TO CHOOSE TO BE LEFT BEHIND IN STAGE III NOR TO SIGN UP NOW TO THE OBLIGATIONS THAT THE GERMANS CONSIDER INDISPENSABLE FOR STAGE III. SINCE THE GERMANS EXCLUDE THE POSSIBILITIES OF EITHER DEFERRING UNTIL LATER AGREEMENT ON THE CONTENT OF STAGE III OR OF MODIFYING THAT

CONTENT, THEY ASSUME THAT IN THE END HMG WILL OPT FOR THE DUTCH FORMULA (NO IMPOSITION OF EMU AT THE PRICE OF NO OBSTRUCTION OF OTHERS GOING FORWARD TO EMU). KOHL MAY PROBE TO KNOW IF THIS ASSESSMENT IS CORRECT AND, IF NOT, HOW WE SEE THE WAY AHEAD.

8. THE GERMANS AGREE WITH US ABOUT THE NEED FOR CONVERGENCE BEFORE ENTRY INTO STAGE III - INCREASINGLY SO AS THE EFFECTS OF GERMAN ECONOMIC UNIFICATION ARE FELT. THE LOGICAL CONSEQUENCE OF THIS - A LONG STAGE II - RUNS UP AGAINST THEIR FEAR THAT DURING A LONG STAGE II THERE WOULD BE DE FACTO DRIFT AWAY FROM NATIONAL CONTROL OF MONETARY POLICY TOWARDS EUROPEAN CONTROL AND WITHOUT THE GUARANTEE OF THE INDEPENDENCE OF THE EUROPEAN CENTRAL BANK WHICH COMES ONLY AT STAGE III. TO SOME EXTENT, THEREFORE, THE GERMAN ATTITUDE TO THE LENGTH AND CONTENT OF STAGE II DEPENDS ON WHICH ANXIETY IS UPPERMOST - A BOTCHED STAGE III BECAUSE THE ECONOMIC CONDITIONS FOR ITS SUCCESS HAVE NOT BEEN MET OR AN UNACCEPTABLE EMU BECAUSE PRICE STABILITY IS THREATENED BY POLITICAL INTERFERENCE. IF KOHL KNEW THAT THE UK WAS PREPARED TO LEND SUPPORT TO SHUTTING OFF THE SECOND DANGER BY BACKING THE INDEPENDENCE AT ALL STAGES OF EUROPEAN MONETARY INSTITUTIONS, HE AND HIS FINANCIAL ADVISERS WOULD I THINK BE MORE FRIENDLY TOWARDS A SOMEWHAT LONGER STAGE II. CONVERSELY, IF KOHL COMES TO THE CONCLUSION THAT CONVERGENCE IN STAGE II IS REALLY A COVER STORY FOR DILUTING CONTROL OVER PRICE STABILITY THERE IS A DANGER THAT HE WILL PUSH AHEAD QUICKLY FOR A SMALL EMU, DESPITE HIS DECLARED PREFERENCE FOR EVERYONE MOVING TOGETHER.

Hand
Eol.

EUROPEAN PARLIAMENT

9. KOHL PERSONALLY ATTACHES GREAT IMPORTANCE TO INCREASING THE POWERS OF THE EUROPEAN PARLIAMENT. HIS BELIEF THAT THE COMMUNITY IS INSUFFICIENTLY DEMOCRATIC AND THAT THE EP IS THE SOLUTION IS LONG STANDING. HE DOES NOT ACCEPT THAT THE SHARING OF POWER BETWEEN THE EUROPEAN AND NATIONAL PARLIAMENTS IS A ZERO SUM GAME AND TAKES THE VIEW THAT THE POWERS OF STRASBOURG CAN BE INCREASED WITHOUT NECESSARILY DOING DAMAGE TO THE AUTHORITY OF NATIONAL PARLIAMENTS. HE FEELS HE HAS DONE A LOT TO HELP THE CONSERVATIVE PARTY COME IN FROM THE COLD IN EUROPE AND, THOUGH THERE IS NO LOGICAL CONNECTION, HE IS LIKELY TO HOPE FOR A RETURN OVER OUR ATTITUDE TO THE DEVELOPMENT OF THE EP. I RECOMMEND A COMBINATION OF RESPECT FOR HIS SENTIMENTS AND EXPLANATION OF VIEWS HELD ON THIS SUBJECT IN THE HOUSE OF COMMONS. KOHL, WITH HIS STRONG SENSE OF HISTORY, MIGHT WELL SHOW UNDERSTANDING FOR A CASE BASED ON WESTMINSTER'S EMBODIMENT OF DEMOCRATIC VALUES, PROVIDED HE DOES

NOT HAVE THE IMPRESSION THAT THE GOVERNMENT IS HIDING BEHIND THAT FACTOR. IT WOULD WIN MANY POINTS WITH KOHL IF WE COULD ALSO SHOW SOME WILLINGNESS TO COMPROMISE OVER THE EP. WE SHOULD AIM TO BE NO LESS FORTHCOMING THAN THE FRENCH.

10. TWO OTHER IGC SUBJECTS ARE NEAR THE TOP OF KOHL'S MIND:

(A) THE SOCIAL DIMENSION. KOHL IS REPORTED TO BE PUZZLED BY OUR INABILITY TO MOVE FURTHER, GIVEN THE INTEREST IN BRITAIN RECENTLY IN THE CONCEPT OF THE SOCIAL MARKET. IT WOULD BE USEFUL TO EXPLAIN LATEST THINKING.

(B) HIS CONTINUING WISH TO SECURE PROGRESS AT THE EUROPEAN LEVEL ON TACKLING DRUGS, ORGANISED CRIME AND TERRORISM. WE AGREE WITH HIM ON THE SUBSTANCE, THOUGH WE ARE KEENER THAN THE GERMANS TO KEEP THESE SUBJECTS OUTSIDE THE COMMUNITY STRUCTURE. THE PRIME MINISTER MAY WISH TO TRY TO PERSUADE KOHL OF THE MERITS OF OUR APPROACH.

DEFENCE AND SECURITY

*inf. Pl.
Comm*
11. THESE ARE NORMALLY A STRONG SUIT IN ANGLO-GERMAN RELATIONS, BUT THERE HAS BEEN A BUMPY BILATERAL RIDE RECENTLY OVER THE CREATION OF THE NATO RAPID REACTION CORPS (RRC) AND BRITISH LEADERSHIP OF IT. SOME OF THE GERMAN MILITARY HAVE FELT THAT THEY, AS THE EUROPEAN MEMBER THAT MAKES THE BIGGEST CONTRIBUTION TO NATO, SHOULD HAVE MORE OF THE LIMELIGHT OVER THE RRC. THE DECISIONS TAKEN IN THE DPC ON 28/29 MAY RANKLE IN THE FEDERAL MINISTRY OF DEFENCE AND WE MUST EXPECT THE GERMANS TO BE EXACTING ABOUT THE UK COMING UP WITH THE RESOURCES TO BACK THE COMMITMENT WE HAVE TAKEN ON. I DOUBT THAT KOHL SHARES THIS JEALOUSY, BUT IT WOULD BE WISE FOR THE PRIME MINISTER NOT TO APPEAR TO TAKE GERMAN SUPPORT FOR UK VIEWS OVER NATO RESTRUCTURING FOR GRANTED.

12. ON EUROPEAN SECURITY ISSUES GENERALLY, THE GERMANS ARE GIVING MORE WEIGHT TO THE PRESERVATION OF NATO, FOLLOWING RECENT HIGH LEVEL CONTACTS IN WASHINGTON INCLUDING KOHL'S OWN VISIT. KOHL MAY HAVE THE MISTAKEN IMPRESSION THAT WE OPPOSE PROGRESS IN EUROPEAN DEFENCE COOPERATION. THE DISAGREEMENT WITH MITTERRAND AT THE FRANCO-GERMAN SUMMIT LAST WEEK HAS CAUSED SHOCK WAVES HERE. THERE IS A RISK THAT, IN DEFERENCE TO FRENCH ANNOYANCE, THE GERMANS WILL GO SLOW ON THE REMAINING ASPECTS OF NATO RESTRUCTURING AND/OR THAT THEY WILL FIND A WAY OF COMPENSATING THE FRENCH BY A CONCESSION OVER EUROPEAN DEFENCE ARRANGEMENTS.

< not in integrated military structure.

13. THE PRIME MINISTER MIGHT MAKE THE FOLLOWING POINTS:

- GLAD THAT THE RESTRUCTURING OF NATO FORCES IS TAKING SHAPE, WITH DECISIONS ON MAIN DEFENCE AND RAPID REACTION FORCES. GRATEFUL FOR ANGLO-GERMAN COOPERATION. PACKAGE TO BE AGREED AT THE NATO SUMMIT IN THE AUTUMN WILL BE A KEYSTONE OF FUTURE SECURITY ARRANGEMENTS IN EUROPE. HOPE THAT UK AND GERMANY CAN WORK CLOSELY TOGETHER IN COMING MONTHS ON REMAINDER OF THE NATO RESTRUCTURING AGENDA.
- BRITAIN WANTS A EUROPEAN DEFENCE IDENTITY WITH REAL CONTENT NOW, NOT JUST THE PROSPECT OF ONE IN THE FUTURE. THIS MEANS DEVELOPING WEU. KNOW YOU AGREE ABOUT IMPORTANCE TO GERMAN AND BRITISH SECURITY OF MAINTAINING US COMMITMENT. IT IS POSSIBLE BOTH TO MEET US CONCERNS AND CONSTRUCT SOMETHING THAT REPRESENTS REAL PROGRESS FOR EUROPE. WANT TO WORK CLOSELY WITH YOU. HOPE OUR CLOSE ADVISERS CAN SOON HAVE A SESSION.
- WE HAVE NOTED WITH ADMIRATION KOHL'S DETERMINATION TO CREATE THE CONDITIONS REQUIRED FOR BUNDESWEHR DEPLOYMENTS OUTSIDE THE NATO AREA. WE REALISE THAT THE STAND NOW ADOPTED BY THE SPD (MY TELNO 448) MAY HAVE NARROWED THE OPTIONS. WOULD LIKE TO EMPHASISE THAT FROM THE UK'S POINT OF VIEW THERE IS NO ARTIFICIAL TIME PRESSURE. RIGHT ANSWER IS MORE IMPORTANT THAN EARLY ANSWER. IS THERE ANYTHING THE UK CAN DO TO HELP KOHL'S HAND?

THE FORMER GDR

14. KOHL CONTINUES TO CLAIM THAT WITHIN FIVE YEARS THE DESERTS IN THE EAST WILL BE STARTING TO BLOOM. THIS MAY BE TRUE, BUT THE REST OF THIS YEAR AT LEAST WILL BE EXTREMELY PAINFUL. THE PRIME MINISTER COULD ASSURE KOHL THAT HMG ARE DOING ALL THEY CAN TO ENCOURAGE BRITISH INVESTMENT.

THE SOVIET UNION AND EASTERN EUROPE

15. KOHL WILL BE DELIGHTED THAT GORBACHEV WILL BE IN LONDON AT THE TIME OF THE ECONOMIC SUMMIT. HE IS SAID BY HIS STAFF TO HAVE NO CLEAR VIEW ON WHAT, IF ANY, HELP THE G7 SHOULD OFFER THE SOVIET UNION THEN. HE WILL BE KEEN TO REACH A COMMON APPROACH WITH THE PRIME MINISTER.

16. KOHL ATTACHES GREAT IMPORTANCE TO THE NEED FOR EFFECTIVE ACTION TO ASSIST THOSE COUNTRIES IN EASTERN EUROPE WHICH ARE TRYING TO ESTABLISH DEMOCRATIC INSTITUTIONS AND A MARKET ECONOMY. UNLIKE FRANCE, HE HAS RECENTLY COME OUT UNAMBIGUOUSLY IN FAVOUR OF POLISH, CZECH AND HUNGARIAN MEMBERSHIP OF THE COMMUNITY ONCE THESE COUNTRIES CAN MEET TREATY OBLIGATIONS. IT WOULD BE USEFUL TO REITERATE OUR DETERMINATION TO STAND SHOULDER TO SHOULDER WITH THE GERMANS IN PROMOTING THAT AIM.

17. FCO PLEASE PASS TO WALL (NO 10).

MALLABY
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