

Thurgay / Mar S.

CONFIDENTIAL

1 UK / east / east / East!
German Unification

the / the / the

was left @ a trial

Br. must / red / Paul / East!

(locked out) / Czech / the / Thurgay!

Not democratic - Ed + C. / Min.

Abuse - constant identity / lobby no.

PRIME MINISTER

CHANCELLOR KOHL

Chancellor Kohl will be arriving at Chequers at 1100 on Sunday and leaving at 1500. He will be accompanied by Peter Hartmann and Walter Neuer from his office, and by an interpreter. Hartmann is the policy member of the team. Neuer looks more impressive but his main job is managing Kohl's office and I doubt if he will take a prominent part in the discussion.

There will be a photocall immediately after Kohl's arrival. We will put out a line at the end. I attach the sort of thing we might agree.

You will want to read the briefing from the FCO which you already have and the attached briefing note from the Treasury. I also recommend Christopher Mallaby's scene-setting telegram.

The Foreign Secretary has come up with a speaking note which you may want to look at though not stick to.

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Chancellor Kohl obviously likes you and wants to help politically. But he has his own political difficulties. There is no domestic cost to him in helping us over EMU. But powers of the European Parliament and QMV are important. And Kohl will want some strategic sense of where we think we are going in Europe.

You may want to set the scene by talking about the political situation here - and give him a chance to talk about the situation in Germany. You might again make the point that, with a younger generation in office in Britain now, there are no hang-ups about German unification. On a practical level we are doing all we can to encourage British firms to invest. On a political level we wonder whether it might be in order for The Queen to make a State Visit to Germany in October 1992. This would coincide with our Presidency and be a symbolic event bilaterally

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London
Good 1/2 191.

Inner - 3%
Outer - 2.5%

Youth Cult. 55 Silly.

72
75

(Inner. Passion Age -
Brown.

Wages too high

[Booker]

New Lander.
Problems.

Env.
Tradeable.

18-19% (cheap) 2yos.

(40-45% for a while
in places).

1-1 32,000 N.L.
(costing to spend on)

Intl.
Unim.

Wages

Recession.

Troubled time.
Displacement.

200,000 new tel. con. this Y.

2M end next yr
(more than lost in 1977)

1932 last vol
(20)

1912 : 80.

Harshall 7m 11 1/2 '40/50.

Crash

1m. 6800 11 1/2 per year
in G.D.P.

Will work.

[Good people no longer
go in politics]

Bremer

Hamburg

Problems of problems
- a cloud of pain.
These nations have
lost their way

2/4/56 - progress
factory.

Next.

London El.

Schleswig - Holstein

(?)

1994 - Go it again.

More motivated.

Things moving. In EC.

E.C. members allow us to do st/thing

(class added)

Classification right. Feeding
1/2 place in history.

Taxi

Share.

- on a large scale add.

give a name

- know address

How can I help you?

(1) Artylow.
(2) Ruge

and in European terms.

On the European Community you will want to thank Chancellor Kohl for the help he has given, and give some account of your meeting with Santer. For us, the negotiations on the two IGCs will come to a head together at Maastricht and be settled together. You do not yet know if an agreement will be reached, though that is our clear aim. Any agreement will have pluses and minuses in it and can only be presented domestically as a package. That is why individual bits cannot be settled in advance. You may want to indicate that you will not try to stretch things beyond the end of the year. ✓

You might explain to Kohl the political awkwardness of the way the Beregovoy/Delors formula on non-imposition was floated, though the concept (which Santer describes as "no veto, no compulsion, no lock-out") is the right one. ✓

You might say to Kohl that our views on the substance are close on convergence (and give him some of the detail of our thinking) and on monetary policy remaining a national responsibility throughout Stage II. We have some difficulties, not with the substance of budgetary deficits, but on whether there should be binding rules on the deficits. The Germans insist on the independence of the Central Bank when it is eventually established. You may want to refer to the entirely different position in the UK but indicate that we are thinking about how to tackle this problem in Stage III. ✓

For Kohl, the political union text is the quid pro quo for giving up the primacy of the DM. On the political union text it will be important to register with Kohl that we should try to settle on the architecture as set out in the existing Presidency draft. In doing so, I would not be rude about the Commission. ✓ Kohl has had occasional run-ins with Delors but is not likely to take a dim view of the Commission overall.

When you come onto security and defence policy you should thank Kohl for all the help that he has given over the creation of rapid reaction corps and our command of it. He will be a bit

bruised by Mitterrand's reaction and you might say that we have done what we can to reassure the French. The decisions taken in NATO were not driven by a desire to preempt the European debate. Nor do they do so.

You may want to thank Kohl for the language in which he reaffirmed Germany's commitment to NATO and the US presence in his recent speech in Washington. We have no problem with a greater European defence identity. On the contrary. But we do worry about creating something which could put Europe at odds with the United States and cause problems with the non-EC members of NATO.

You will need to tackle some of the difficult institutional issues. I suggest you ask Kohl to set out how he sees the European Parliament, and then explain that the perception here is that any power given to the European Parliament is power taken away from the National Parliament. I think you could say to Kohl that we want to give the Parliament greater control over the operation of the Commission and over the auditing of expenditure. We will look at the Parliament's role in assenting to agreements reached by the Community. We will look at the power to assent to the appointment of the new Commission. Most difficult is the idea that the Parliament should actually be able to block legislation which the Council has agreed, because this does appear to pit the will of the European Parliament against the will of the national Parliament, as expressed through its elected representatives in the Council of Ministers.

I think you will also need to flag up our difficulties over extension of Community competence, while not suggesting that we have reached a final view. We have serious difficulties over the proposed changes in the social area. Our experience and traditions are very different from those of Germany. Health and safety at work are one thing, but Community legislation on working conditions, consultation with workers, equal treatment etc., could undo twelve years of (very popular) action to curb the power of the trade unions, and could impose very high costs on industry.

You will have to judge how far to go with Kohl. It is worth remembering that in 1985 every Whitehall department was convinced that the extension of QMV would be a disaster. We have in practice lived happily with it. I think it would be better for Kohl to go away thinking there is some flexibility in our position than thinking you are either Mrs. Thatcher with a smile or unable to give a lead.

G7 Summit

Re-sched
Kohl may be a bit shame-faced about suggestions that he announced Gorbachev's visit to the Bundestaag. I have told Hartmann that we were not worried about what Kohl said. My phone call to him was to make sure they knew the basis on which we were going to propose that Gorbachev should come here. Hartmann told me that Kohl would give you his reaction to your message on Sunday. It would be helpful if you could get Kohl to agree that we could provide technical assistance and know-how to the UUSR but should only consider financial support if the implementation of reform justifies it.

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In London we will want Gorbachev to be specific about his policies on budget deficits, price reforms, property rights and relations between the Centre and the Republics.

Yugoslavia

You may want to commend Kohl and Mitterrand for the message they sent to Yugoslavia from their summit and suggest that something similar might come out of the European Council - but also stressing our support for Yugoslavia's unity and integrity.

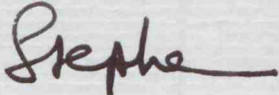
Arms Control

The Germans are trying to make amends for the extent to which their companies helped Saddam Hussein's arms build-up. I think you and Kohl will be at one on our general approach on arms control. Genscher has proposed the establishment of a G7 working group on conventional arms supply controls. You might

say to Kohl that we want the G7 Summit to give impetus to action in this area, but we do not want to lose Chinese and Russian co-operation by using the G7 as the main forum for discussion.

South Africa

You will want to mention to Kohl our wish for a declaration on sport at the European Council. If the South Africans have abolished their apartheid legislation when the European Council meets, it would also be sensible for the European Community to lift the 1985 oil embargo. ✓



J.S. WALL

7 JUNE 1991

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PRESS LINE

Chancellor Kohl and the Prime Minister met for four hours, including a working lunch. Friendly meeting building on the close relationship between the two leaders and the two countries.

Discussion focussed on European issues. Two leaders discussed approach to the Economic Summit. Agreed on desirability of inviting President Gorbachev to come to London at the end of the Summit.

On European Community, agreed on aim to conclude two inter-governmental conferences by the end of the year as an overall package.

On economic and monetary union the Chancellor expressed understanding of the British position that there could be no imposition of a single currency or single monetary policy without a separate decision of the British Government and Parliament. Agreement on the need for convergence of economies and on retention of monetary policy as a national prerogative in Stage III.

Discussed the inter-governmental conference on political union. They both agreed to work for the development of a European identity in security and defence. This should be done in a way which reinforces the Atlantic Alliance.

They discussed a number of other issues including the Middle East, South Africa and Yugoslavia.

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