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ANGLO/GERMAN SUMMIT

Meeting of Heads of Government and Foreign Ministers
On Friday 22 April 1983 At No. 10 Downing Street
At 1030 Hours

PRESENT

Prime Minister	H.E. Herr Dr. Helmut Kohl
Secretary of State for Foreign and Commonwealth Affairs	H.E. Herr Hans-Dietrich Genscher H.E. Dr. Jurgen Ruhfus
Sir Jock Taylor	
Mr. F. E. R. Butler	

Interpreters

European Community Budget

The Prime Minister said that the problem of the Community Budget had to be solved before the end of the German Presidency. The British Government were grateful for Chancellor Kohl's handling of this issue at the European Council in Brussels. The Communique could only be interpreted as meaning that longer term proposals and an interim solution for 1983 would be discussed by the Foreign Affairs Council and reported to the Heads of Government Meeting at Stuttgart; and that figures/^{for 1983}would be inserted in the draft 1984 Budget. It was doubly critical that the agreement in the Brussels Communique should be implemented. First, she did not yet know when a General Election would take place in Britain, but it was essential that this matter should be resolved in advance of it. Second, the last thing that she wanted was to be forced to withhold Britain's contributions because the agreement had not been implemented. There should be no difficulty in finding a short-term solution: if necessary, the formula agreed last year could be repeated. The CAP price fixing was also relevant. Commissioners Dalsager and Tugendhat had tabled figures which indicated that the CAP was rapidly consuming what was left within the own resources system. The UK could not agree to CAP proposals which made it impossible to find funds for the United Kingdom's refunds. Herr Genscher said that the attitude of the European Parliament meant that it would not be acceptable to have a solution for one year only. To do so would result in total confrontation and the fall of the Commission. At the Brussels meeting of the Council, the German Government had given all possible help, with the agreement of the French: they now had to agree on the future principles of budgetary policy. The view of the German Government was /not fully

not fully formed, but the view of the Foreign and Agriculture Ministries was that the Commission's proposals based on a levy of agricultural production were very reasonable. This would have the effect that those who expanded their agricultural production would pay more, and the United Kingdom and Germany would gain relief. It would provide a permanent solution for the UK and Germany and lay a foundation for the reform of agricultural policy. But it would mean going beyond the one per cent own resources ceiling and this aspect would have to be considered.

The Prime Minister said that she would speak frankly. An approach limited only to the matters mentioned by Herr Genscher would dishonour the agreement at Brussels. A long-term scheme would not get through quickly. She had been saying, on the basis of the Brussels Communique, that there was work to be done on putting figures on the agreement, but that this would be achieved and so the question of withholding would not arise. If this confidence was not fulfilled, the opponents of Britain's membership of the European Community would be quick to make capital out of it. She believed that the European Assembly would accept an outcome on the lines of the Communique in view of the strength of Britain's case, but she suspected that some countries (not Germany) were using the attitude of the Assembly as an excuse for not finding a solution. This would be completely unacceptable, and it was essential to bend every effort to achieve the timetable set out in the Brussels Communique.

Herr Genscher said that the Prime Minister's statement was absolutely right; but it would be essential at Stuttgart to face up to the fundamental long-term issues arising on the Budget. Chancellor Kohl underlined the importance of Herr Genscher's remark. The Prime Minister said that opposition to dealing with the long-term problems would not come from the United Kingdom but from other countries which benefited from the present arrangement. Herr Genscher agreed: Germany and Britain were on the same side in this matter and should pull in the same direction.

/The Prime Minister said

The Prime Minister said that there were wider issues at stake. Whether there was a British election before the end of this year or not, a solution at Stuttgart was essential. There was unlikely to be progress during the Greek Presidency: their attention would be directed towards achieving an agricultural regime for Southern products like that for Northern products. But the existing CAP was already taking an increasing proportion of own resources, and the sooner a crisis came, the sooner a solution was likely to be reached. For this reason it was essential not to increase the limit on own resources: otherwise any increase would only be swallowed up by agricultural policy. We must make progress on long-term reform while the incentive of the own resources limit was providing a stimulus.

Herr Genscher said that the German Agriculture Minister had not proposed a solution to the current problems on the CAP settlement by proposing higher prices, and he had been grateful for Mr. Walker's support on this matter. He himself was to discuss with M. Cheysson on Monday how the problem over MCAs was to be solved: the revaluation of the Green Mark which had been proposed would have meant a reduction in income for German farmers and this was obviously unacceptable. But the Germans had nonetheless avoided proposing increased price rises.

Genscher/Colombo Proposals

Herr Genscher said that agreement in Stuttgart on the text of the Solemn Declaration would have an important political significance in Germany which was relevant to the Budget proposals: the German people would not accept a position in which they were always paying towards the Budget but no progress was made towards European unity. If the outstanding point of difference with the UK could be solved, the German Government could concentrate on bringing the Danes into line with the agreement.

The Foreign and Commonwealth Secretary said that the only point of difficulty for the UK Government was majority voting. We could accept the text circulated by the Presidency which allowed every Member State to maintain its present position.

/Herr Genscher

Herr Genscher said that the German Government had never agreed to the Luxembourg formula, which had been wrongly known as the "Luxembourg Compromise". The German Government fully understood the position of the British Government on this matter, but believed that it could be adequately protected by expressing it in a separate protocol, or in the minutes. ^{The Prime Minister said that} ~~the Luxembourg Compromise~~ was part of the terms on which Britain had joined the Community. It had been included in the British White Paper on entry, to which we believed that other members of the Community had assented. Other European countries, and particularly the French, took a similar position to the UK. It would be no use the United Kingdom's signing a protocol which would be a unilateral declaration, without others recognising that it would be wrong to enforce majority votes on matters of over-riding national interest. The French would certainly not accept a position in which their national interest was over-ruled by a majority. For the British too arrangements for majority voting did not give sufficient safeguards when issues of morality and equity were at stake.

Herr Genscher said that Germany and the older members of the Community would not agree to a formula which they had not accepted in Luxembourg. Nor would the European Parliament accept it. The UK position was understood, but it would be wrong to expect Germany or Belgium now to adopt a position which they had never previously taken up. The Foreign and Commonwealth Secretary said that the advantage of the text proposed by the Presidency in February was that it did not require any Member State to change its position regarding the Luxembourg Compromise; but if this was contained in a protocol, it would down-grade it. He understood that the French, Danes, Greeks and Irish shared our position on this matter.

Chancellor Kohl said that he applauded the Prime Minister's spirited remarks. But the Community must not be limited to an institution for exchanging money. He had made the point to the Danish Prime Minister that the future of European development must not be impeded by the lack of an overall majority in the Danish Parliament. He urged the Prime Minister to consider the matter constructively and in a far-sighted spirit. The German Government had done much in the interests of Europe: they had recently done so in the currency re-alignment and were now doing the same on the CAP settlement. They

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relied on the goodwill of their partners in making reciprocal gestures. Little progress was likely to be made during the Greek Presidency, and next year there would be elections to the European Parliament: as Party Leaders, he and Mrs. Thatcher had an interest in the representatives of their Parties being successful in those elections. People would find it hard to understand if, at the end of the third session of the European Parliament, no progress had been made on European integration. Progress in this direction was essential to maintain the westward orientation of the Federal Republic and to counter the nationalism to which East Germany was increasingly resorting.

The Prime Minister said that she was wholly committed to the European concept. But she believed that progress could only be made through solving practical problems such as the Budget, the internal market, insurance, lorry quotas. The UK could not surrender conditions on which Britain entered the Community. On some matters, for example butter exports to Russia, Britain had accepted majority votes even though we disapproved of the proposals. But some issues were fundamental in terms of the equity which was at the heart of British law. Germany had special treatment under the Treaty in terms of her relationship with East Germany. For Britain the Luxembourg Compromise was part of our special position. The UK had not been ungenerous to the Community: we had contributed much of our fish to the Community, we expected to go on making a net contribution to the Budget and we provided much of the market for the agricultural products of others. She would look at the position on the Solemn Declaration, but she could not accept that there was any link between this and the Budget settlement, on which there had been an unconditional agreement in the Brussels Communiqué.

CSCE

Chancellor Kohl said that he had discussed the Madrid Conference with President Reagan. The German Government had every sympathy with the American position on human rights, but they felt that this should not be limited to a few prominent cases. It would be right to try to improve the draft agreement, but the best course would be to conclude the Conference in May or June and obtain agreement of the Russians to a further meeting of experts in two years' time. A Conference on disarmament in Europe could then be begun in Sweden towards

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the end of the year, and there would be a tactical advantage in this if it coincided with the deployment of the Cruise and Pershing missiles.

The Foreign and Commonwealth Secretary emphasised that it was essential to keep the West united, and Chancellor Kohl agreed. The Prime Minister said that she had taken the point which Chancellor Kohl had made, and pointed out that there would be an opportunity to have an exchange on this matter with the Americans at Williamsburg. Herr Genscher commented that one of the main difficulties for the Americans was the attitude of Congress.

F.E.R.B.

22 April 1983