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cc: Hunt

10 DOWNING STREET

From the Private Secretary

16 May 1983

TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER & CHANCELLOR KOHL

As foreshadowed in John Holmes' letter of 13 May, Chancellor Kohl telephoned the Prime Minister this morning.

After some discussion of the prospects for the Election campaign, Chancellor Kohl said that he wanted to discuss the timing of the European Council. Important financial decisions would be considered and it would not be easy for the Prime Minister to delegate responsibility for these. On the other hand, he fully appreciated that she would be in the middle of an Election campaign. He therefore felt that the issue of timing should be discussed frankly in order that the right decision was taken.

The Prime Minister said that she wished to attend the European Council but there would obviously be difficulties in the two or three days preceding Polling Day. Chancellor Kohl said that in that case he felt that he and the Prime Minister should agree on a later date for the meeting. He would then put this date to President Mitterrand whom he would be seeing later today. He understood that at Schloss Gymnich some of the Foreign Ministers had informally discussed the possibility of postponement to 18/19 June.

The Prime Minister asked whether it was not the case that Foreign Ministers might agree on a solution to the UK Budget problem on 24 May. In that case she, or her representative, might come to Stuttgart on the dates at present planned in order to confirm a satisfactory solution. This would be most helpful in the Election campaign. Conversely, if there was failure to agree on a satisfactory solution, the effect on the campaign could be most unfortunate.

Chancellor Kohl said that it was his impression that a solution could be found only if the matter were taken up at the highest level. It would therefore be better to change the dates. This would be for the German Presidency to announce and they would say that the postponement was due to the British Election campaign. The Prime Minister said that, if President Mitterrand could also agree to this, it might be an attractive course. We should of course maintain throughout the Election campaign that we expected to get a reasonable solution from our European partners.

/ Chancellor Kohl

Chancellor Kohl commented that 18/19 June seemed to be the only possible alternative to the present dates. In answer to a question from the Prime Minister, he stated that he believed this was the latest possible date for the present Italian Government. The Prime Minister said that the proposed new dates did not pose diary problems for her.

As soon as the telephone conversation was over, the Prime Minister asked me to ensure that an account of it was conveyed quickly to the Foreign and Commonwealth Secretary.

As Chancellor Kohl still has to obtain the agreement of our other European partners to this proposal, and as any announcement would be for the Presidency to make, it is obviously important that the contents of this conversation are very closely guarded. I should accordingly be grateful if you, and John Kerr to whom I am copying this letter, would confine knowledge of the proposal to those who have an absolutely essential need to know of it.

A. J. COLES

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Foreign and Commonwealth Office.