

cc. Master

NOTE OF A RECORD OF A MEETING AT THE CHANCELLERY, BONN
AT 1115 ON FRIDAY 18 JANUARY

Present:

Prime Minister	Chancellor Kohl
Sir G Howe	Herr Genscher
Sir J Bullard	Baron von Wechmar
Mr Butler	Herr Teltschik

Future Development of the Community

The Foreign Secretary reported that he had emphasised to Herr Genscher HMG's concern that the work of the Dooge Committee and the Committee on the People's Europe should lead to practical consequences. HMG wished to see an improvement in political co-operation and the completion of the internal market. We favoured an improvement in the machinery of decision taking, while feeling that no Member State would want to see its national interests disregarded. Herr Genscher had underlined the importance which the German Government attached to this work and their support for an inter-governmental conference in due course. He had responded that the British Government felt that, wherever such a conference fitted, the work should concentrate on practical measures and a close partnership should be maintained between the British and German Governments in their approach.

Financial Issues in the Community

Herr Genscher, reporting on his discussion with the Foreign Secretary, said that the German Government thought that a further inter-governmental agreement would be necessary for

1985 which would cover the Community's deficit as well as the British reimbursement. The German Government could not agree to an increase in own resources before enlargement. He raised the question whether such inter-governmental agreements were really contrary to the interests of the British Government. British insistence that an increase in own resources was the solution to the Community's financial problems rather than inter-governmental agreements could align them with those governments who would be pressing for solving the Community's financial difficulties by further increases in own resources.

On agricultural prices, Herr Genscher continued that the German Government were shortly to discuss this and would then be able to take a position on all the current problems in the Community, among which agriculture was one of the most important. The past year had been a difficult one for German farmers and, in considering whether there should be a zero price increase for milk and a 5 per cent reduction for grain this year, the German Government would have to strike a balance between the need to restrain agricultural spending and the need to maintain the livelihoods of their farmers. He himself would not approach these problems from the narrow viewpoint of a Foreign Minister. Account had to be taken of the structural problems of farming in the north of Germany, which had been favoured by the milk regime relative to the small farms in the west and south. This could not be repeated on grain. But he had also emphasised on the preceding day to Signor Andreotti that a tough approach could only be sold to German farmers if it also applied to Mediterranean products.

The Foreign Secretary said that he had emphasised that HMG's position on the Community budget rested firmly on the two Fontainebleau agreements. It was essential that the abatement of the UK contribution took place through adjustments on the revenue side and that the increase in own resources took effect not later than 1 January 1986. We recognised the link with enlargement but we had reservations about a second inter-governmental agreement: the first was still causing us difficulties and such agreements could become

a bad habit as a way of solving the Community's problems. He had suggested that British and German officials should continue to seek a resolution within these parameters.

As regards agricultural prices, the Foreign Secretary said that it was essential to honour the terms of the budgetary guidelines which had been agreed: this required a restrictive price policy and effective application of guarantee thresholds. Expenditure on the CAP had increased by 73 per cent since 1979 and on Mediterranean products by over 250 per cent. Expenditure on wine had increased 17 times in the last 6 years. Olive oil production was already in surplus, at 104 per cent of consumption, before enlargement. These circumstances required the 5 per cent cut in prices for cereals and zero increases for milk and wine.

The Prime Minister endorsed this comment adding that grain farmers had done particularly well. As regards a further inter-governmental agreement she suggested that people would begin to say, whenever the Community ran short of money, that the problem could be resolved by a further inter-governmental agreement: this would undermine the financial discipline in the Community. She strongly endorsed what Herr Genscher had said about Mediterranean products. Moreover, the Greeks should not be offered more than the 600 mecu already on the table for Integrated Mediterranean Programmes.

Herr Genscher suggested that a deadline should be set for enlargement. As regards the increase in own resources, the German Government were bound by undertakings to their Parliament that the increase in own resources should be linked to enlargement. Even if the Government wanted to escape from this commitment, which they did not, they could not do so.

Chancellor Kohl emphasised that the position of his party was quite different from that of their predecessors. He had always supported the Social Democrats on Community questions, but the SPD and the Greens had forced a debate shortly before the last European Council on a motion binding the Government

not to make any promises about money: the Federal Government had used their majority to vote this motion down, but it had its effect on public opinion. The Federal Government could explain an increase in own resources linked to enlargement but they could not explain such an increase without enlargement. He also wished to add another point, which he could not mention in public. The German Government were bound by promises to Spain and Portugal to achieve enlargement as soon as possible. But there were also NATO reasons for seeking enlargement. And there were left wingers both inside Germany and outside it who would like to see enlargement delayed. Unless the need for an increase in own resources provided a reason for achieving enlargement, the opponents might succeed in delaying it indefinitely.

Chancellor Kohl added that the position of Greece was also relevant to this issue. Mr. Mitsotakis perhaps had a chance of winning the election in the autumn, and it was in the interest of the West that he should do so. Europe could not stand a division of labour by which one half of Europe was responsible for the defence of the whole, with all the public expenditure pressures which that entailed. For example, Germany was having to extend its conscription period and was at the same time facing problems of promotion blockages and of achieving voluntary retirements within its armed forces. At the same time, Papandreou's position in impeding enlargement was weakened by the fact that he could not afford to leave the European Community: therefore the enlargement negotiation had to be played to a finish.

Herr Genscher added the problem of the Integrated Mediterranean Programme was really a problem confined to Greece. But it needed to be handled with care. After the expectations which had been aroused Papandreou could not settle for a realistic figure before the election. But he could obstruct enlargement. Therefore a way needed to be found both of confining any benefit under the Integrated Mediterranean Programmes to Greece and of separating the settlement of that problem from enlargement.

President Mitterrand had confirmed that France was not looking for a benefit from the Integrated Mediterranean Programmes.

The Foreign Secretary commented that this was because France would now be a net contributor. He suggested that a solution needed to be found in the context of other structural funds since Greece was already benefiting to the tune of 3 billion mecu from those funds. Herr Genscher agreed that the most promising way forward was to find a 'Greek window' in the existing structural funds.

The Prime Minister questioned whether Greece would really oppose enlargement of the Community, bearing in mind that Papandreou could hardly hold up the admission of two socialist governments. Herr Genscher said that Papandreou saw himself as conducting a struggle for the Mediterranean countries against the North European countries. Chancellor Kohl added that there was a vicious circle. Unless there was a settlement on IMPS, Papandreou could not agree to enlargement; but without enlargement there was no money for a settlement with Papandreou. The negotiation was a poker-game, but it needed to be said firmly that a settlement would apply to Greece alone. And the issue would become more difficult if it were left open.

The Prime Minister said that she had been disturbed by references to a further increase in own resources on 1 January 1988. Chancellor Kohl said that the Federal Government was not advocating such an increase but he recalled that Fontainebleau left open such a possibility for consideration. The Prime Minister said that she could not contemplate such a further increase in proximity to a General Election in Britain.

At this point Chancellor Kohl suggested that Ministers should move to the plenary meeting.

The meeting ended at noon.

C.D.P.

18 January 1985