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PRIME MINISTER
Anglo-German Meeting: 11th-12th May
*Prime Minister*
*This seems right - in particular the suggestion that you should raise Community problems when Deans Comyns & Genscher are present.*
*Amh*

In his minute of 7th May, the Chancellor of the Exchequer recommends that you should try to pin the Federal Chancellor down to a number of propositions about the Community Budget and the CAP. This is a very desirable objective: it will encourage the Community to feel that we and the Germans are working together, and it will strengthen our position if we can be seen to have public German support on a number of issues over which there will undoubtedly be fierce battles during our Presidency. But, as he says, we should not aim too high. Too overt a ganging up on questions which are due to be discussed in a Community context could be resented by our partners, even if the Germans would be willing to commit themselves without knowing where the French stand. Moreover, Herr Heick, from the Federal Chancellor's office, who came to see Mr. Franklin yesterday, has warned that the Federal Chancellor's mind is largely on the international questions of East/West, the Middle East and his forthcoming Washington visit, and that he does not expect to have any detailed discussions with the Prime Minister on Community matters. Indeed he apparently expressed some surprise at the German Cabinet meeting that Herr Ertl was in the German party - although apart from the milk super levy the Germans have no difficulty with our paper.

2. Mr. Franklin took Herr Heick through the six points mentioned in the Chancellor of the Exchequer's minute, explaining that none of them were very new or surprising and that most of them were likely to come up at the plenary session anyway, when the Chancellor of the Exchequer or Herr Schulmann, and Mr. Walker or Herr Ertl, reported on their respective discussions. Having at first shown some nervousness about our raising fisheries, and stressing again that the Federal Chancellor would not want to get into detail about our budget refunds or about future budget mechanism, he eventually agreed that there was no reason why there could not be agreement on six general points roughly as set out in the Chancellor of the Exchequer's minute.

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3. In the light of this advice, you will want to consider how best to deal with these Community questions. Since Herr Genscher and Lord Carrington will have come from the informal meeting of Foreign Ministers in Venlo, when some other issues will have been discussed, you may feel that Community Questions would be best raised when they join you rather than during the initial tete-a-tete talks. I think you should certainly say to him that the Community is facing some major problems in the coming months; that you want to see as much progress made as possible during our Presidency; and that you believe that there is much common ground and common interest both on the CAP and on the budget itself. It is not reasonable for Germany and the United Kingdom to be virtually the only net contributors. There must be equitable distribution of burdens, and solutions must be found within the 1 per cent ceiling. CAP surpluses must be reduced. You could then say that, at the plenary session, you hope it will be possible to register agreement on some of these points. Provided then that the Chancellor of the Exchequer after his talks with Herr Schulmann, and Mr. Walker after his with Herr Ertl, are able to report suitably to the plenary session, you could aim to secure Chancellor Schmidt's endorsement and agreement that you will both include them in your Press conference the following morning.

4. I am copying this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister of Agriculture.

RIA

Robert Armstrong

8th May 1981