

2

CONFIDENTIAL

Prime Minister

GRS 710

CONFIDENTIAL

FRAME GENERAL

FROM PARIS 121020Z JUNE 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 299 OF 12 JUNE 1979

INFO IMMEDIATE LUXEMBOURG (FOR FRANKLIN, MAITLAND AND FRETWELL) AND UKREP BRUSSELS

INFO PRIORTIY ALL OTHER EEC POSTS

*ant*

*for 12/6*

PREPARATIONS FOR THE EUROPEAN COUNCIL

1. FRANKLIN (CABINET OFFICE) VISITED PARIS ON 11 JUNE FOR INFORMAL DISCUSSIONS WITH THE NEW SECRETARY GENERAL OF THE SGCI, PIERRE ACHARD.

2. IN RESPONSE TO FRANKLIN'S QUESTIONS, ACHARD EXPLAINED PRESENT FRENCH THINKING ABOUT THE STRASBOURG EUROPEAN COUNCIL. PRESIDENT GISCARD WOULD GIVE ENERGY PRIORITY SO THAT A COMMON LINE COULD BE AGREED FOR THE COMMUNITY PARTICIPANTS AT TOKYO. IN ADDITION TO THE COMMISSION PAPER FOR THE COUNCIL, THE FRENCH PRESIDENCY WOULD PRODUCE A SHORT ANALYSIS OF THE PRESENT CRISIS WITH SOME SUGGESTIONS AS TO HOW THE COMMUNITY SHOULD REACT TO IT. ITS BASIC IDEA WOULD BE THAT THE INDUSTRIALISED COUNTRIES COULD NOT ASK PRODUCERS TO TAKE ECONOMIC PROBLEMS SERIOUSLY IF THEY COULD NOT QUOTE DISCIPLINE UNQUOTE THE MARKET AND STABILISE OR EVEN REDUCE ENERGY CONSUMPTION. THIS WOULD SHOW THE PRODUCERS THAT THE INDUSTRIALISED COUNTRIES WERE SERIOUS WITHOUT BEING AGGRESSIVE. BUT THERE WOULD BE NOTHING REALLY NEW IN THE FRENCH PAPER.

3. ON EMS, THERE WOULD BE A BRIEF DISCUSSION WITH A VIEW MERELY TO NOTING ITS EXISTENCE AND THAT IT HAD ON THE WHOLE WORKED WELL. ACHARD DID NOT EXPECT THE QUESTION OF THE REVIEW TO ARISE, ALTHOUGH IT MIGHT COME UP IN THE FINANCE COUNCIL ON 18 JUNE. SIMILARLY THE FRENCH WERE PREPARED FOR THERE TO BE SOMETHING IN THE COMMUNIQUE TO MARK THE ELECTION OF THE NEW EUROPEAN ASSEMBLY IF OTHERS WANTED IT. BUT THEY DID NOT ENVISAGE ANY DISCUSSION.

CONFIDENTIAL

/4. THE

CONFIDENTIAL

4. THE FRENCH HOPED THAT THE ITEM ON THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY WOULD LEAD TO SOME EXCHANGE OF VIEWS ABOUT HEADS OF GOVERNMENTS' REAL PREOCCUPATIONS, BUT ACHARD THOUGHT DRAWING ANY CONCLUSION WOULD BE DIFFICULT. HE HOPED THAT OTHER HEADS OF GOVERNMENT WOULD IMPRESS ON SCHMIDT THE IMPORTANCE THEY ATTACHED TO GERMANY NOT GOING BACK ON THE PROGRESS IT HAD ALREADY MADE BY ADOPTING TOO RESTRICTIVE A MONETARY POLICY. THE FACT THAT THE COMMISSION WOULD PRODUCE ONLY AN INTERIM REPORT ON EMPLOYMENT AND WORK SHARING WOULD AVOID THE COUNCIL HAVING TO TAKE DIFFICULT DECISIONS ON WORK SHARING.

5. THE FRENCH CERTAINLY HOPED TO GIVE EFFECT TO THE PRESIDENT AND MRS THATCHER'S WISH THAT THE COMMUNIQUE SHOULD BE SHORT, SIMPLE AND CLEAR.

COMMUNITY BUDGET.

6. ACHARD RECOGNISED THE BRITISH DESIRE THAT ENOUGH TIME SHOULD BE GIVEN FOR DISCUSSION OF THE UK'S BUDGET PROBLEMS. ACHARD AGREED THAT HEADS OF GOVERNMENT NEEDED TO GIVE THE COMMISSION A CLEAR MANDATE. HE NOTED THAT THE STATEMENT MADE BY SIR D MAITLAND IN COREPER ON 7 JANUARY CONCENTRATED ON THE BUDGET ISSUE RATHER THAN CONVERGENCE. MAITLAND HAD ALSO SAID WE WERE NOT LOOKING FOR A JUSTE RETOUR FROM EACH POLICY. WAS THE UK LOOKING FOR A GLOBAL JUSTE RETOUR? THE FRENCH DID NOT LIKE AN APPROACH BASED ON NATIONAL CONTRIBUTIONS, ALTHOUGH HE AGREED WITH FRANKLIN THAT IT WAS NECESSARY TO LOOK AT THE EFFECTS OF COMMUNITY POLICIES. PRAGMATIC SOLUTIONS SHOULD BE FOUND TO MITIGATE THE EFFECTS OF THE BIG JUMPS IN THE UK CONTRIBUTIONS IN 1980. FRANKLIN EMPHASISED THAT THE UK WOULD BE SEEKING FROM THE EUROPEAN COUNCIL A CLEAR DECISION BASED ON A CLEAR RECOGNITION THAT THERE WAS A PROBLEM. THIS REQUIRED IMMEDIATE CORRECTION EVEN IF IN THE LONGER TERM COMMUNITY POLICIES THEMSELVES MIGHT ACHIEVE A BETTER BALANCE BETWEEN MEMBER STATES. ACHARD ACCEPTED FRANKLIN'S OFFER TO LET HIM HAVE BY THE END OF THIS WEEK OUR IDEAS ON THE CONCLUSIONS WE HOPED THE COUNCIL WOULD REACH. HE WOULD TRY TO LET US HAVE THE FRENCH COMMENTS EARLY NEXT WEEK.

/CAP

CONFIDENTIAL

CAP

7. FRANKLIN ASKED ABOUT THE IDEA MENTIONED BY THE PRESIDENT TO MRS THATCHER THAT THE COST OF SURPLUSES SHOULD FALL MOPE ON THOSE WHO PRODUCED THEM. ACHARD SAID THAT THE IDEA WAS THAT GUARANTEES TO FARMERS SHOULD NO LONGER BE OPEN ENDED OR AUTOMATIC. THE PRESIDENT HAD ASKED FOR THE QUESTION TO BE STUDIED, BUT THIS WOULD TAKE TWO OR THREE MONTHS.

8. ACHARD EXPLAINED THAT IT WOULD BE ESSENTIAL FOR THE FRENCH THAT A START BE MADE TO THE ABOLITION OF EXISTING POSITIVE MCAS AND THEREFORE THAT THERE SHOULD BE A SMALL PRICE RISE ACROSS THE BOARD AT THE NEXT PRICE FIXING. FRANKLIN SAID THAT THE UK WOULD NOT AGREE TO PRICE RISES FOR PRODUCTS IN SURPLUS BUT ASKED WHETHER SMALL PRICE RISES ON OTHER PRODUCTS WOULD ENABLE THE GERMANS TO AGREE TO REVALUE THE GREEN DM. ACHARD THOUGHT THIS SHOULD NOT BE EXCLUDED BUT WAS VERY UNLIKELY TO BE ACHIEVED AT THE COUNCIL BEGINNING ON 18 JUNE. HE THOUGHT, HOWEVER, THAT THE POSITION WAS DIFFERENT FROM THAT IN JANUARY WHEN THE GERMANS WERE BEING ASKED TO ACCEPT THE PRINCIPLE OF AUTOMATIC DISMANTLEMENT OF POSITIVE MCAS.

HIBBERT

FRAME GENERAL

EID (I)