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FM BONN 031700Z OCTOBER 79

TO IMMEDIATE FCO

TELEGRAM NO 555 OF 3 OCTOBER

INFO IMMEDIATE PARIS AND WASHINGTON

INFO ROUTINE MOSCOW, UKDEL NATO, UKREP BRUSSELS, OTHER EEC POSTS
AND OTHER NATO POSTS.

FRANCO/GERMAN SUMMIT

1. PRESIDENT GISCARD VISITED BONN ON 1 AND 2 OCTOBER FOR THE 34TH ROUND OF THE REGULAR 6-MONTHLY FRANCO/GERMAN CONSULTATIONS BETWEEN HEADS OF GOVERNMENT UNDER THE 1963 FRANCO/GERMAN TREATY. THE RANGE AND DEPTH OF THE DISCUSSIONS WERE UNDERLINED ONCE AGAIN BY THE PANOPLY OF MINISTERS WHICH GISCARD BROUGHT WITH HIM. HE WAS ACCOMPANIED NOT ONLY BY HIS PRIME MINISTER (BARRE) AND FOREIGN MINISTER (FRANCOIS-PONCET) BUT ALSO BY THE MINISTERS FOR ECONOMY (MONORY), INDUSTRY (GIRAUD), LABOUR (BOULIN), EDUCATION (BEULLAC) AND WOMEN'S QUESTIONS (MADAME PELLETIER), AS WELL AS BY THE DEPUTY GOVERNOR OF THE BANQUE DE FRANCE.
2. THE OCCASION PROVIDED YET ANOTHER OPPORTUNITY, WHICH WAS AMPLY TAKEN BY BOTH SIDES, TO DEMONSTRATE THE IMPORTANCE THEY ATTACH TO THE FRANCO/GERMAN RELATIONSHIP. THE GERMANS MADE EVEN GREATER EFFORTS THAN USUAL TO FLATTER THE FRENCH. PRESIDENT CARSTENS AS WELL AS CHANCELLOR SCHMIDT ATTENDED GISCARD'S RETURN DINNER AND GISCARD TOOK THIS OCCASION TO ACCEPT CARSTENS' INVITATION TO MAKE A STATE VISIT TO THE FEDERAL REPUBLIC NEXT YEAR. AS GISCARD PUT IT AT THE DINNER QUOTE FRANCE AND GERMANY ARE TODAY LIKE LIMBS OF ONE AND THE SAME BODY UNQUOTE. AFTER THE TALKS GISCARD WENT ON TELEVISION TO ANSWER QUESTIONS FROM A GERMAN AUDIENCE.
3. AT THE PRESS CONFERENCE AT THE END OF THE VISIT THE MESSAGE OF THE TWO HEADS OF GOVERNMENT WAS MADE CLEAR BEYOND DOUBT. FRANCE AND GERMANY ENJOY A PARTICULARLY CLOSE AND PRIVILEGED RELATIONSHIP. BETWEEN THEM THEY FORM A NUCLEUS OF CALM AND GOOD SENSE IN A WORLD BESET BY TROUBLES AND LACKING IN LEADERSHIP. MUCH OF WHAT THEY HAD TO SAY WAS DIRECTED, IF ONLY IMPLICITLY, AT THE AMERICAN ADMINISTRATION. THE RATIFICATION OF SALT II WAS QUOTE ABSOLUTELY NECESSARY UNQUOTE. THE PRESENCE OF QUOTE CERTAIN TROOPS UNQUOTE IN CUBA DID NOT UPSET THE WORLD STRATEGIC

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BALANCE AND SHOULD NOT HOLD-UP RATIFICATION (A REMARKABLY ASSERTIVE STATEMENT BY A GERMAN LEADER WHICH WOULD HAVE BEEN INCONCEIVABLE ONLY 3 OR 4 YEARS AGO). THE CO-AUTHORS OF THE EMS FOUND THAT THEIR BRAIN-CHILD HAD EMERGED WELL FROM ITS FIRST TEST. THE GERMAN ECONOMY WAS IN GOOD SHAPE AND FRENCH ECONOMIC ACTIVITY WAS STABLE AT A HIGH LEVEL. THIS STABILITY, BY IMPLICATION, COMPARED FAVOURABLY WITH THE TROUBLES OF THE AMERICAN ECONOMY AND THE SLIDE OF THE US DOLLAR. DETENTE SHOULD BE PURSUED LOGICALLY AND METHODICALLY ON THE BASIS OF THE HELSINKI FINAL ACT AND QUESTIONS OF MILITARY DETENTE IN EUROPE SHOULD ALSO BE DEALT WITH WITHIN THE FRAMEWORK OF THE CSCE. IT IS CLEAR THAT THE GERMANS EXPRESSED SUPPORT FOR THE FRENCH EDC PROPOSAL.

4. THE VISIT WAS NOT INTENDED AS AN IMPORTANT DECISION-TAKING OCCASION BUT SOME DECISIONS WERE NEVERTHELESS MADE AND POINTERS FOR FUTURE POLICY WERE AGREED UPON. FROM THE BRITISH POINT OF VIEW THE MOST IMPORTANT OF THESE WAS THE AGREEMENT OF SCHMIDT AND GISCARD ON THE PARAMETERS FOR SETTling THE COMMUNITY BUDGET PROBLEM. BOTH GOVERNMENTS EXPRESSED SYMPATHY FOR AN EASING OF THE BUDGETARY BURDEN ON THE UK. THIS WAS SEEN AS ESSENTIALLY A TEMPORARY PHENOMENON, WHICH REQUIRED TEMPORARY MEASURES TO SOLVE IT. THE PRINCIPLE OF OWN RESOURCES AND THE ONE PERCENT VAT CEILING SHOULD BE MAINTAINED. THERE WAS A NEED TO DISCOURAGE AGRICULTURAL SURPLUSES.

5. FOR THE REST IT WAS AGREED THAT THE PROPOSED NEW ARRANGEMENTS FOR SUPPLIES OF URANIUM TO THE COMMUNITY SHOULD NOT INFRINGE THE BASIC PRINCIPLES OF THE EXISTING EURATOM TREATIES BUT COULD ENABLE ADJUSTMENTS TO BE MADE WHERE THESE WERE ECONOMICALLY SENSIBLE. ON THE NORTH/SOUTH DIALOGUE, BOTH GOVERNMENTS SUPPORTED THE THIRD WORLD PROPOSAL FOR A GLOBAL DIALOGUE ON WORLD ECONOMIC PROBLEMS, TAKING IN ENERGY QUESTIONS. THIS FIELD WAS SEEN AS ONE RIFE FOR PARTICULARLY CLOSE COOPERATION BETWEEN THE FRENCH AND GERMANS. AS REGARDS DEVELOPMENT AND PRODUCTION OF NEW TECHNOLOGY, BOTH COUNTRIES PROPOSED TO STRENGTHEN THEIR COOPERATION IN RESEARCH AND INDUSTRIAL IMPROVEMENTS. IN PARTICULAR THEY WOULD DEVELOP TWO TELEVISION SATELLITES TO LAUNCH IN 1983.

6. I SHALL REPORT ON THESE AND OTHER ASPECTS AFTER WE HAVE HAD AN OPPORTUNITY OF LEARNING MORE OF WHAT TRANSPIRED FROM THOSE WHO WERE PRESENT.

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