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TO IMMEDIATE FCO [FRAME & GENERAL]

TELEGRAM NUMBER 201 OF 17 MARCH 1981

INFO PRIORITY BRUSSELS

INFO ROUTINE BONN AND THE HAGUE

INFO SAVING TO COPENHAGEN DUBLIN LUXEMBOURG ROME UKREP BRUSSELS
ATHENS

PRESIDENTS GISCARD'S EXPECTATIONS OF THE EUROPEAN COUNCIL
AT MAASTRICHT

1. I ASKED THE SECRETARY GENERAL OF THE ELYSEE TODAY IF HE COULD GIVE ME AN IMPRESSION OF WHAT PRESIDENT GISCARD EXPECTED OF THE MAASTRICHT SUMMIT. WAHL REPLIED THAT, BEING PREOCCUPIED WITH THE PRESIDENTIAL ELECTION, FRANCE WAS IN NO POSITION TO THINK OF USING THE EUROPEAN COUNCIL MEETING TO LAUNCH ANY SORT OF INITIATIVE. THE PRESIDENT EXPECTED THE COUNCIL TO TAKE THE FORM OF A MEETING OF REFLECTION ON THE PRINCIPAL WORLD PROBLEMS.

2. THERE WERE TWO RIDERS WHICH HE WISHED TO ADD. THE FIRST WAS THAT THE ECONOMIC STATE OF THE COMMUNITY COUNTRIES WAS BAD, ALTHOUGH FRANCE WAS PROBABLY IN A BETTER POSITION THAN THE OTHERS IN THAT 1% GROWTH MIGHT BE ACHIEVED THIS YEAR. ALL THE ECONOMIC EXPERTS AGREED THAT THE REMEDY WOULD HAVE TO BE FOUND BY INCREASING PRODUCTIVE INVESTMENT AND NOT BY INCREASING CONSUMPTION (AS M. MITTERRAND WAS SUGGESTING). IT WOULD NOT BE POSSIBLE TO IMPROVE PRODUCTIVE INVESTMENT UNLESS INTEREST RATES WERE LOWERED AND STABILISED. THIS COULD NOT BE ACHIEVED UNLESS THE COMMUNITY BROUGHT ITS COLLECTIVE INFLUENCE TO BEAR ON THE UNITED STATES ADMINISTRATION, AIMING AT A DEGREE OF CONCERTATION OF INTEREST RATES WITH THE UNITED STATES. PRESIDENT GISCARD HOPED THAT THE MAASTRICHT SUMMIT WOULD HELP TO PRODUCE A CONCERTED ATTITUDE BY THE COMMUNITY COUNTRIES ON THIS MATTER. IN TALKING ABOUT THE ECONOMIC SITUATION WAHL SPOKE WITH PARTICULAR CONCERN ABOUT THE DIFFICULTIES OF THE FEDERAL GERMAN GOVERNMENT AND THE SEVERE DIVISIONS ON ECONOMIC MATTERS WITHIN THE SPD.

3. WAHL'S SECOND RIDER WAS THAT PRESIDENT GISCARD HOPED THAT THE EUROPEAN COUNCIL WOULD GIVE SOME FAVOURABLE INDICATION THAT THE SEAT OF THE EUROPEAN PARLIAMENT WOULD CONTINUE TO BE STRASBOURG.

HE ADMITTED THAT THE GOVERNMENT OF LUXEMBOURG WAS UNEASY ABOUT THIS QUESTION, BUT HE CLAIMED THAT THEY WERE UNWILLING TO TRY TO CHANGE EXISTING ARRANGEMENTS BECAUSE THEY FELT THAT BRUSSELS AND NOT LUXEMBOURG WOULD BE THE GAINER. I ASKED WAHL IF HE COULD INDICATE MORE CLEARLY WHAT PRESIDENT GISCARD WOULD BE WANTING FROM THE COUNCIL, BUT HE WOULD NOT BE DRAWN. HE INDICATED THAT CONFIRMATION OF THE EXISTING PATTERN WOULD SUIT FRANCE, BUT IN ADDITION IT WOULD BE HELPFUL IF THE SECRETARIAT OF THE PARLIAMENT COULD BE ENCOURAGED TO MAKE THE MOVE FROM LUXEMBOURG TO STRASBOURG.

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4. ON OTHER QUESTIONS WAHL SAW NO NEED FOR DIFFICULTY. IN CONNECTION WITH JAPAN HE SAID THAT HE THOUGHT SOME QUESTIONS WOULD BE ASKED OF THE PRIME MINISTER ABOUT UK ARRANGEMENTS FOR JOINT PRODUCTION WITH JAPANESE CAR MANUFACTURERS. I TOLD HIM THAT I THOUGHT CLEAR EXPLANATIONS HAD ALREADY BEEN GIVEN TO THE FRENCH GOVERNMENT ON THIS SUBJECT. HE DID NOT PRESS THE MATTER BUT CONTINUED TO SAY THAT HE THOUGHT IT MIGHT BE MENTIONED.

5. AFTER A GOOD DEAL OF OTHER TALK HE MENTIONED OUTSTANDING COMMUNITY DOSSIERS, BUT ONLY IN A VERY TENTATIVE WAY. PRESIDENT GISCARD WAS IN THE DIFFICULT POSITION AT PRESENT THAT, WHATEVER HE DID OR DID NOT DO, HIS OPPONENTS IN THE PRESIDENTIAL ELECTION WOULD ACCUSE HIM OF HAVING GIVEN GROUND TO MRS THATCHER ON THESE DOSSIERS. I SAID THAT I WAS NOT AWARE OF ANY CRISIS ON AGRICULTURAL PRICES. PROVIDED THE LANGUAGE OF COMPROMISE WAS USED IT SHOULD BE POSSIBLE TO REACH A PRICE FIXING AGREEMENT WITHOUT TOO MUCH DIFFICULTY. WAHL SAID THAT THE REALLY IMPORTANT QUESTION FOR FRANCE WAS REDUCTION OF THE GERMAN AND BRITISH MCAS. I SAID THAT THE FRENCH DEMAND ON THIS POINT CREATED GREAT DIFFICULTIES FOR THE FRG AND BRITAIN, BUT THERE WAS NO POINT IN OUR DISCUSSING THE MATTER AS THE DISCUSSIONS IN BRUSSELS WERE STILL ONLY AT THE OPENING STAGE. AS FAR AS FISHERIES WERE CONCERNED, THE UK STILL LOOKED FOR MOVEMENT FROM THE FRENCH SIDE AND PROVIDED THIS WAS FORTHCOMING IT SHOULD BE POSSIBLE TO REACH AN AGREEMENT ON FISHERIES AT THE BEGINNING OF APRIL. HERE AGAIN IT WOULD ONLY BE POSSIBLE IF THE LANGUAGE OF COMPROMISE WAS USED. WAHL SHOWED NO WISH TO PURSUE THESE QUESTIONS. HE OBSERVED THAT ON FISHERIES CHANCELLOR SCHMIDT WAS LIKELY TO MAKE THE RUNNING. THE PROBLEM WAS MORE ACUTE FOR GERMANY THAN FOR FRANCE. I SAID THAT GERMANY COULD BE SATISFIED ONLY IF FRANCE MADE ITS CONTRIBUTION TO ACHIEVING AN AGREEMENT.

6. WE FINISHED WITH SOME DISCUSSION ABOUT THE PRESIDENTIAL ELECTION CAMPAIGN, IN WHICH WAHL MADE IT CLEAR THAT THE PRESIDENT'S COURAGE REMAINED CONFIDENT OF VICTORY.

FCO PLEASE PASS SAVINGS TO ABOVE ADDRESSEES

HIBBERT

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