

ADVANCE COPY

(35)

Prime Minister
KW

ADVANCE COPIES

EASTERN EUROPEAN ECONOMIC

PS — 6
 PS/~~MR. HANNAY~~ MR. HANNAY
 PS/~~MR. ONLOW~~ MR. ONLOW
 PS/PUS
 MR BULLARD
 LORD BRIDGES
 MR GOODISON
 MR EVANS
 MR HANNAY
 HD/EESD
 HD/ECD(E)
 HD/WED
 HD/ESID
 HD/ERD < HD TRED
 HD/NEWS DEPT
 HD/PLANNING STAFF
 RESIDENT CLERK

MR MOUNTFIELD TREASURY
 MR BREACH ECGD
 MR WENBAN-SMITH CABINET OFFICE
 MR POWNALL CRE4 DOT
 MR LOEHNIS B/ENGLAND
~~XXXXXXXXXX~~ 10 DOWNING STREET
 Mr Coles
 Mr. ARMSTRONG, CABINET OFFICE.
 Mr. GOOTALL, CABINET OFFICE
 Mr. COUZENS, TREASURY
 Mr. CAREY, TREASURY
 Mr. CORLEY, DOT
 Mr. TWYFORD, ECGD.

CONFIDENTIAL

FM PARIS 280915Z MAY 82
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 551 OF 28 MAY 1982
 INFO PRIORITY BONN, ROME, TOKYO, WASHINGTON. ROUTINE MOSCOW,
 OTTAWA, UKREP BRUSSELS, UKDEL NATO.
 INFO SAVING UKDEL OECD (PASSED BY PARIS).

FROM BRIDGES
BUCKLEY MEETING ON CREDITS FOR USSR: PARIS MAY 27

SUMMARY

1. A MUCH BETTER MEETING THAN THE LAST. NO AGREED SOLUTION BUT
 OPTIONS WILL BE SET OUT FOR POLITICAL DECISION AT VERSAILLES.
 FRENCH CHAIRMAN TO CIRCULATE TEXT, AMERICANS REASONABLY CONTENT
 WITH OUTCOME.

DETAIL

2. FRENCH CHAIRMAN (PAYE) HELD PRIOR CO-ORDINATION MEETING WITH
 OTHER EUROPEANS WHICH SHOWED THAT ONLY UK WAS WILLING TO MAKE
 POLITICAL COMMITMENT BEFORE VERSAILLES. BUCCI (ITALY) SAID THERE
 WOULD BE MAJOR POLITICAL DIFFICULTY IN SINGLING OUT USSR AS SUBJECT

DETAIL

2. FRENCH CHAIRMAN (PAYE) HELD PRIOR CO-ORDINATION MEETING WITH OTHER EUROPEANS WHICH SHOWED THAT ONLY UK WAS WILLING TO MAKE POLITICAL COMMITMENT BEFORE VERSAILLES. BUCCI (ITALY) SAID THERE WOULD BE MAJOR POLITICAL DIFFICULTY IN SINGLING OUT USSR AS SUBJECT TO CREDIT RESTRAINT, BUT DID NOT EXCLUDE DISCREET ARRANGEMENT TO SAME EFFECT BETWEEN THE SEVEN. FRAU STEEG (FRG) AGREED. CHANCELLOR SCHMIDT HAD NOT BEEN CONSULTED AND WOULD WISH TO TAKE POLITICAL DECISION AT SUMMIT. GERMANS PREFERRED ARRANGEMENT WITHIN OECD CONSENSUS AND COULD NOT PUBLICLY EXCLUDE USSR FROM CATEGORY 1. PRIVATE UNDERSTANDING MIGHT BE POSSIBLE. FRENCH SPOKE LIKEWISE: MAUROY WAS ALSO OPPOSED TO PUBLIC ARRANGEMENT DIRECTED AT USSR. BRIDGES AND TWYFORD SAID UK NOT WHOLLY CONVINCED BY US ECONOMIC ANALYSIS CIRCULATED IN WASHINGTON BUT HAD NO POLITICAL DIFFICULTY WITH REGIME FOR USSR ALONE; AND WE SAW SOME ROOM FOR MANOEUVRE WITHIN CATEGORY 1. BRIDGES UNDERLINED DANGER OF INADEQUATE EUROPEAN RESPONSE WHICH MIGHT LEAD TO ROW WITH US OVER PIPELINE CONTRACTS SHORTLY AFTER SUMMIT.

3. IN PLENARY THE WASHINGTON DOSSIER WAS EXAMINED BRIEFLY. AT FRENCH SUGGESTION US AGREED TO PROVIDE DETAILS OF SOVIET FOREIGN TRADE AND INVESTMENT (TO SHOW MINOR ROLE OF WESTERN CREDITS). US ANALYSIS OF SOVIET HARD CURRENCY POSITION NOT DISCUSSED.

4. DISCUSSION OF CONCLUSIONS REACHED BY EXPERTS IN WASHINGTON LAST WEEK THEN FOLLOWED. THIS SHOWED THAT CANADA AND JAPAN ALSO WANTED TO DEFER POLITICAL DECISION TO SUMMIT. CANADIANS SAID THAT MR TRUDEAU SAW DIFFICULTY IN AN AGREEMENT CONFINED TO USSR, WHILE JAPANESE THOUGHT AN AGREEMENT SHOULD BE REACHED AND WERE READY TO BE FLEXIBLE ABOUT MEASURES ADOPTED. MEETING EXAMINED AT LENGTH DRAFT ARRANGEMENT ON GUIDELINES PRESENTED BY US. DISCUSSION LARGELY REFLECTED KNOWN NATIONAL POSITIONS, AND IN SPITE OF ONE EXCHANGE BETWEEN LEYLAND (US) AND BAQUIAST (FRANCE) WAS QUITE AMICABLE. POSSIBILITY OF GENERAL MOVE ON EXCLUSION OF LOCAL COST FINANCING AND INCREASING PREMIUMS CONFIRMED. HELPFUL INTERVENTIONS BY JURGENSEN (FRANCE) AND LOEFF (COMMISSION) POINTED RESPECTIVELY TO SUBSTANTIAL RECENT INCREASES IN CONSENSUS RATES AND BURDEN ON HIGH INTEREST EXPORTERS AND CONSIDERABLE EFFECT WHICH INCREASE IN DOWN PAYMENTS BY SAY TEN PER CENT WOULD HAVE ON USSR. NO DIFFICULTY FORESEEN OVER ARRANGEMENT TO EXCHANGE INFORMATION AND MONITOR RESULTS AT SIX-MONTHLY INTERVALS.

5. PAYE CONCLUDED THAT NO DECISION WAS POSSIBLE AT THE MEETING BUT WE COULD PRESENT HEADS OF GOVERNMENT WITH THREE OPTIONS:-

(I) DETAILED ARRANGEMENT TO CONTROL OFFICIAL CREDITS FOR THE USSR AS PROPOSED BY US.

(II) AGREEMENT IN PRINCIPLE ON NEED TO CONTROL OFFICIAL CREDITS.

