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GRS 701

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FM FCO 310936Z AUGUST 1982

TO IMMEDIATE BONN

TELEGRAM NUMBER 395 OF 31 AUGUST

INFO PRIORITY PARIS ROME COPENHAGEN UKREP BRUSSELS

INFO ROUTINE OTHER EC POSTS LISBON MADRID

MIPT (NOT TO ALL): MY MEETING WITH GENSCHER ON 30 AUGUST:
COMMUNITY AFFAIRS

1. FOLLOWING IS SUMMARY OF MAIN POINTS ON EC MATTERS.

BUDGET

2. I REMINDED GENSCHER OF THE ROOT OF THE PROBLEM: THE BUDGET REQUIRED OF US CONTRIBUTIONS ON A SCALE WHICH WE WOULD NOT BE ABLE TO MEET IF THE FIGURES WERE NOT ADJUSTED. WE WANTED A LONG TERM SOLUTION WHICH WOULD AVOID US HAVING TO COME BACK EVERY YEAR OR SO TO THIS DIVISIVE ISSUE, AND WHICH WOULD ENABLE US ALL TO CONCENTRATE ON THE DEVELOPMENT OF COMMUNITY POLICIES. IT WAS MORE THAN EVER IMPORTANT TO COMMUNITY COUNTRIES TO WORK EFFECTIVELY TOGETHER, BUT WE NEEDED A BUDGET SOLUTION WHICH WAS DEMONSTRABLY FAIR. WE REGRETTED THAT IT HAD NOT BEEN ABLE TO ATTAIN THIS EARLIER THIS YEAR. THE ONE YEAR AGREEMENT WHICH WE HAD HAD TO FALL BACK ON IN MAY WAS VERY MUCH A SECOND BEST, AND EVEN THAT WAS CAUSING DIFFICULTY IN THIS CONTEXT. I TOOK THIS OPPORTUNITY TO THANK GENSCHER FOR GERMAN SUPPORT AND TO IMPRESS ON HIM THE NEED FOR A SOLUTION AT THE SEPTEMBER FAC.

3. IN RESPONSE, GENSCHER SAID THAT ON THE 1982 SETTLEMENT OUR INTERESTS WERE IDENTICAL. WE MUST NOT ALLOW THE AGREEMENT OF 25 MAY TO BE REOPENED, AND IT WAS CLEAR THAT THE AGREEMENT DID NOT (NOT) PROVIDE THAT THE UK SHOULD CONTRIBUTE TO GERMAN REBATES. FOR THE FUTURE, HE TOO WOULD MUCH PREFER A LONG TERM SOLUTION. THE 25 MAY AGREEMENT HAD SETTLED CERTAIN POINTS (RISK SHARING AND LOWER PARTICIPATION BY GERMANY) AND LEFT OPEN OTHERS (DURATION, SIZE OF UK REFUNDS, EXTENT OF GERMANY'S REDUCED CONTRIBUTION AND OVERPAYMENT). THERE WAS NOT YET A POSITION OF THE GERMAN GOVERNMENT, BUT GENSCHER THOUGHT THAT THE RIGHT

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PROCEDURE WOULD BE TO ENCOURAGE THE COMMISSION TO PUT FORWARD A PROPOSAL.

4. FOLLOWING POINTS EMERGED FROM SUBSEQUENT DISCUSSION:

(I) GENSCHER MADE IT CLEAR THAT DEGRESSIVITY WOULD FEATURE IN THE NEGOTIATIONS ON THE SIZE OF THE COMPENSATION TO THE UK. I MADE CLEAR OUR TOTAL OPPOSITION TO THE CONCEPT. GENSCHER CONCLUDED THAT THIS WAS THE MAIN PROBLEM, AND THAT IT WOULD LEAD TO AGREEMENT FOR ONLY A SHORT PERIOD.

(II) IN RESPONSE TO GENSCHER'S REFERENCE TO OVERPAYMENT, I EMPHASISED THAT WE HAD RECEIVED IN 1980 AND 1981 NO MORE THAN HAD BEEN AGREED. WE DID HOWEVER ACCEPT THAT THE OUTCOME HAD BEEN MORE FAVOURABLE THAN HAD BEEN EXPECTED, AND HAD THEREFORE AGREED THAT THE SUBJECT SHOULD BE DISCUSSED FURTHER (WITH NO COMMITMENT ON ANY FIGURES WHICH MIGHT BE AGREED). GENSCHER DID NOT PURSUE THE MATTER.

(III) ON TIMING, I URGED QUICK NEGOTIATIONS IN ACCORDANCE WITH THE TIMETABLE. GENSCHER SAID THAT HE WOULD LIKE NOTHING BETTER THAN TO FREE THE GERMAN PRESIDENCY OF THE PROBLEM, BUT ADDED THAT HE HAD NO ILLUSIONS AND ALMOST NO HOPE THAT THIS MATTER COULD BE DISPOSED OF SO QUICKLY. (HE WAS AT FIRST INCLINED TO THINK OCTOBER TOO EARLY FOR THE TABLING OF A COMMISSION PROPOSAL, BUT APPARENTLY BECAUSE HE DOUBTED WHETHER THE OUTSTANDING QUESTIONS FOR 1982 WOULD HAVE BEEN SETTLED BY THEN).

ENLARGEMENT

5. GENSCHER EMPHASISED THE IMPORTANCE OF AN EARLY AND SATISFACTORY CONCLUSION TO THE NEGOTIATIONS WITH SPAIN AND PORTUGAL. I AGREED. HE ADDED THAT HE WOULD DO EVERYTHING HE COULD TO STICK TO THE AGREED TIMETABLE. I ASKED ABOUT PARALLELISM. GENSCHER REPLIES 'WE HAVE PINNED OURSELVES TO IT', AND COMMENTED THAT THE SITUATION IN SPAIN WAS SUCH THAT A DISAPPOINTMENT OVER THE NEGOTIATIONS MIGHT AFFECT INTERNAL STABILITY.

FISH

6. GENSCHER SAID THAT SCHMIDT HAD SEEN HIS DANISH COLLEAGUE AT A SOCIAL DEMOCRAT MEETING ON SATURDAY, BUT HAD NOT THOUGHT THE

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OCCASION APPROPRIATE FOR A DISCUSSION OF THE CFP. HE (GENSCHER) ACCEPTED MY POINTS ON THE NEED FOR AN EARLY SOLUTION AND AGREED TO DO WHAT HE COULD TO HELP WITH THE DANES.

COMMENT

7. THE DISCUSSION OF TRANSATLANTIC RELATIONS SUMMARISED IN MIPT, INCLUDING TELEPHONE CONVERSATIONS WITH CHEYSSON AND COLOMBO, LEFT US WITH LESS TIME THAN ANTICIPATED ON THE COMMUNITY. NEVERTHELESS I THINK THAT THIS WAS A USEFUL START. GENSCHER READILY AGREED THAT WE SHOULD KEEP IN TOUCH, AND SUGGESTED THAT WE SHOULD ARRANGE MORE FREQUENT RELATIVELY SHORT BILATERAL MEETINGS OF THIS KIND. I SHALL FOLLOW THIS UP AT THE APPROPRIATE TIME.

PYM

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