

GRS 1038

CONFIDENTIAL

FM FCO 232230Z SEP 82

TO PEKING

TELEGRAM NUMBER 441 OF 23 SEPTEMBER

IMMEDIATE

MB



FOLLOWING TELEGRAM NOW REPEATED TO YOU FOR P.M.'S PARTY AT REQUEST OF PRIVATE OFFICE, WAS RECEIVED FROM PARIS TELNO 914 OF 23 SEPT.

AND TO IMMEDIATE UKREP BRUSSELS WASHINGTON UKMIS NEW YORK

INFO ROUTINE ATHENS BRUSSELS COPENHAGEN THE HAGUE LUXEMBOURG

ROME DUBLIN BONN

YOUR VISIT TO PARIS: 22 SEPTEMBER

1. YOU VISITED PARIS YESTERDAY EVENING FOR TALKS WITH CHEYSSON FOLLOWED BY ANNER, A TOTAL OF F14 £974' 48':7''89, CHANDERNAGOR WAS PRESENT DURING DISCUSSIONS ON COMMUNITY AFFAIRS. THIS TELEGRAM SUMMARISES THE MAIN TOPICS COVERED AND MIFT CONTAINS BRIEF COMMENTS, FULLER RECORD FOLLOWS BY BAGWM.

A. COMMUNITY AFFAIRS

1. 1982 BUDGET REFUNDS.

2. IN A PRIVATE WORD WITH CHEYSSON BEFORE THE TALKS YOU EXPRESSED CONCERN AT CHANDERNAGOR'S PERFORMANCE ON THIS ITEM AT THE 20 SEPTEMBER COUNCIL (UKREP ZRUSSETS TEL NO 3446). YOU THEN OPENED

THE TALKS BY RECALLING THAT THE 25 MAY AGREEMENT WAS CLEAR:

THE UK WOULD RECIEVE 850 MILLION ECU NET AND ALEGED OVER-PAYMENTS WOULD BE CONSIDERED IN RELATION TO FUTURE YEARS. EIGHT MEMBER STATES AND THE COMMISSION SHYJED OUR VIEW. ONLY CHANDERNAGOR HAD ARGUED AGAINST THAT INTERPRETATION IN BRUSSELS.

3. CHEYSSON ARGUED THAT HIS GOVERNMENT HAD INHERITED AN ARRANGEMENT

WHICH IT HAD ALWAYS CONTESTED. IT DID NOT ACCEPT THE CONCEPT THAT THERE WAS AN UNACCEPTABLE SITUATION WHICH SHOULD QUALIFY

FOR AUTOMATIC COMPENSATION THROUGH THE COMMUNITY BUDGET. THE

SOLUTION TO BUDGET IMBALANCES LAY IN THE EVOLUTION OF NEW

COMMUNITY POLICIES OF INTEREST TO NET CONTRIBUTORS. FRANCE

HAD RELUCTANTLY AGREED THAT THE UK SHOULD RECEIVE 850 MILLION

ECU, BUT NEVER THAT GERMANY SHOULD RECEIVE COMPENSATION THROUGH

BUDGETARY TRANSFERS. THE CREATION OF POLICIES OF INTEREST TO

GERMANY SHOULD BE CONSIDERED IN CONJUNCTION WITH THE OVERPAYMENTS
TO THE UK AND WITH ARRANGEMENTS FOR SUBSEQUENT YEARS. THE FRENCH
ECONOMY HAD RUN INTO ROUGH WATERS AND IT WAS POLITICALLY IMPOSSIBLE
FOR HIM TO GO BEYOND THE STRICT TERMS OF THE 25 MAY AGREEMENT.
FINALLY A BUDGETARY ARRANGEMENT FOR GERMANY WOULD LEAD TO CLAIMS
FROM THE LESS PROSPEROUS FOR DIRECT COMPENSATION THROUGH THE
BUDGET. USE SHOULD BE MADE OF THE 1981-82 BUDGET SAVINGS TO HELP
FIND A SOLUTION.

4. YOU RETORTED THAT IT WAS IMPOSSIBLE TO GO BACK ON THE
25 MAY AGREEMENT. THE AGREEMENT WAS REACHED AND ONE COULD NOT
RESILE ON IT. EVERYONE INTERPRETED IT IN THE SAME WAY EXCEPT
FRANCE. NEW POLICIES WERE NEEDED, BUT ALL THIS WOULD TAKE TIME.

USE OF THE 1981-2 SURPLUSES SHOULD BE EXPLORED AND FURTHER IDEAS
FOR SOLVING THE PROBLEM OF THE 65 HECU FOR THE UK COULD BE
CONSIDERED, BUT THE ESSENTIAL POINT WAS TO BRING THE 25 MAY
AGREEMENT INTO EFFECT AT OR BEFORE THE NEXT COUNCIL.

2. FUTURE BUDGETS AND FUTURE COMMUNITY ACTIVITY

5. YOU RESTATED THE IMPORTANCE OF REACHING A BUDGET

AGREEMENT TO COVER AT LEAST THE NEXT TWO TO THREE YEARS.

CHEYSSON ADVOCATED A WIDER BRAINSTORMING SESSION ON THE

COMMUNITY'S FUTURE, COVERING OWN RESOURCES, ENLARGEMENT AND

THE EUROPEAN DIMENSION OF INDUSTRIAL DEVELOPMENT. THE COMMUNITY

COUNTRIES SUCCEEDED IN STANDING TOGETHER TO FACE EXTERNAL

ECONOMIC THREATS AND TO ASSIST DECLINING INDUSTRIES. THEY SHOULD

ALSO TAKE THE INITIATIVE IN ADVANCED TECHNOLOGY. SUCH TECHNOLOGY

SHOULD BE PRESENTED AT THE COMMUNITY LEVEL TO INDUSTRIALISING

NATIONS, LEAVING EUROPEAN COMPANIES TO COMPETE FREELY

AMONG THEMSELVES IN THE MARKET THEREAFTER. YOU AGREED THAT

IT WOULD BE WORTH CONSIDERING WHETHER COLLECTIVE ACTION

MIGHT HELP THE COMMUNITY TO WEATHER RECESSION, STAND UP TO

COMPETITION AND PROMOTE NEW TECHNOLOGY DIRECT BROADCASTING

SATELLITE (DBS) WAS A CASE IN WHICH BOTH BRITAIN AND FRANCE

HAD AN INTEREST. BUT NONE OF THIS COULD CHANGE THE IMMEDIATE

SITUATION AND WE SHOULD AIM FOR A BUDGETARY SETTLEMENT, AS

PREVIOUSLY AGREED, BY NOVEMBER.

3. ENLARGEMENT

6. CHANDERNAGOR (IN CHEYSSON'S TEMPORARY ABSENCE) SAID FRANCE WOULD INSIST THAT INTERNAL COMMUNITY WORK ON THE IMPLICATIONS OF ENLARGEMENT PROCEED AT THE SAME PACE AS NEGOTIATIONS WITH CANDIDATE MEMBERS. THE COMMUNITY'S MEDITERRANEAN ASSOCIATES WOULD NEED TO BE HELPED TO FACE PROBLEMS OF ADJUSTMENT CAUSED BY THE ACCESSION OF SPAIN AND PORTUGAL.

B. THE SIBERIAN PIPELINE

7. CHEYSSON DECLINED, SOMEWHAT APOLOGETICALLY, TO COMMIT HIMSELF IN ADVANCE TO A MEETING A CINQ IN NEW YORK, MAINTAINING THAT EUROPEAN GOVERNMENTS SHOULD NOT PUBLICLY MAKE THE FIRST MOVE TOWARDS REAGAN. BUT HE EXPRESSED CONFIDENCE THAT THROUGH BILATERAL CONTACTS WITH SHULTZ A WAY TOWARDS SUCH A MEETING WOULD BE FOUND. HE AGREED WITH YOUR SUGGESTION THAT THERE SHOULD BE A COLLECTIVE ATTEMPT BY WESTERN GOVERNMENTS TO ANALYSE THE SOVIET ECONOMY AND CREATE A FRAMEWORK FOR AGREEMENT ABOUT THE EFFECTS OF EAST/WEST TRADE. HE SAID THAT FRANCO/US RELATIONS, THE PIPELINE APART, WERE SATISFACTORY.

ON THE QUESTION OF WHAT MIGHT BE OFFERED TO HELP DEFUSE THE PROBLEM HE COULD ONLY SUGGEST MAKING USE OF THE ACTUAL DECLINE IN FRENCH TRADE WITH THE SOVIET UNION AND OF THE GREATER CAUTION NOW EXERCISED BY THE BANKS IN GIVING CREDITS: HE REITERATED THAT FRANCE COULD NOT COMMIT ITSELF TO THE PRINCIPLE OF DISCRIMINATORY ACTION AGAINST THE SOVIET UNION.

C. THE MIDDLE EAST

8. AFTER A TELEPHONE CONVERSATION WITH SHULTZ CHEYSSON SAID THAT THE ISRAELIS WERE REFUSING TO EVACUATE BEIRUT UPON THE ARRIVAL OF THE MULTINATIONAL FORCE. WHEN THE FIRST FRENCH TROOPS ARRIVED LATER TODAY THE ISRAELIS WOULD STILL BE THERE. THE ISRAELI GOVERNMENT HAD EVEN OFFERED TO MAKE TROOPS AVAILABLE TO THE MULTINATIONAL FORCE. BOTH YOU AND CHEYSSON COMMENTED ON THE PASSIVITY SHOWN BY THE SOVIET UNION DURING RECENT DEVELOPMENTS.

D. FALKLANDS

9. YOU TOOK THE OPORTUNITY TO EMPHASISE TO CHEYSSON THAT BRITISH PUBLIC OPINION WOULD NOT UNDERSTAND IT IF ONE OF OUR PARTNERS SUPPORTED A GENERAL ASSEMBLY RESOLUTION CALLING UPON US TO NEGOTIATE WITH ARGENTINA. CHEYSSON DID NOT REFER DIRECTLY TO LIKELY FRENCH VOTING INTENTIONS, BUT SUGGESTED THAT A GENERAL ASSEMBLY RESOLUTION WOULD HAVE LITTLE IMPORTANCE. HE SAID THAT FRANCE'S RELATIONS WITH OTHER LATIN AMERICAN COUNTRIES HAD BEEN NOT AT ALL AFFECTED BY THE FALKLANDS CONFLICT.

E. SOUTH EAST ASIA

10. CHEYSSON DESCRIBED CONFIDENTIAL INDICATIONS RECEIVED FROM THE VIETNAMESE THAT THEY WERE ABOUT TO PROMOTE PROPOSALS WHICH MIGHT ENABLE THEM TO WITHDRAW FROM CAMBODIA WITHOUT LOSS OF FACE. LAOS WOULD PROPOSE AN INTERNATIONAL CONFERENCE, WITHOUT ANY OFFICIAL CAMBODIAN REPRESENTATION, TO DISCUSS THE NEUTRALISATION OF CAMBODIA AND THE HOLDING OF FREE ELECTIONS. (DETAILS IN MY SECOND IFT, NOT TO ALL.)

FRETWELL

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