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TO PRIORITY FCO

TELEGRAM NUMBER 254 OF 17 MARCH 1982

INFO PRIORITY BONN, WASHINGTON, ROME, UKREP BRUSSELS AND UKDEL NATO
INFO SAVING WARSAW AND MOSCOW

BONN TEL NO 229: THE BUCKLEY MISSION

1. WE UNDERSTAND THAT PAYE TELEPHONED LORD BRIDGES YESTERDAY EVENING TO BRIEF HIM ON THE DISCUSSIONS IN PARIS EARLIER THAT DAY. MOUTON IN THE QUAI GAVE FINANCIAL COUNSELLOR THE FOLLOWING SUPPLEMENTARY ACCOUNT TODAY.

2. THE BUCKLEY MISSION WAS RECEIVED BY CHEYSSON, AND HAD DETAILED DISCUSSIONS YESTERDAY MORNING WITH PAYE, WHO WAS ACCOMPANIED BY REPRESENTATIVES FROM THE TRESOR AND MINISTRY OF DEFENCE. SOME MEMBERS OF THE MISSION HAD SEPARATE DISCUSSIONS IN THE AFTERNOON WITH SAUTTER (ADVISER IN THE ELYSEE), CAMDESSUS (DIRECTEUR DU TRESOR), LAGAYETTE (M DELOR'S DIRECTEUR DU CABINET) AND THE CABINET OF M HERNU (MINISTER OF DEFENCE).

3. IN THE PLENARY DISCUSSIONS WITH PAYE THE BUCKLEY MISSION APPARENTLY SET OUT THE AIMS AND BASIS OF THE MISSION IN SIMILAR TERMS TO THOSE IN BONN. THE MISSION PROPOSED AN EXCHANGE OF INFORMATION ON EXPORT CREDITS TO WHICH PAYE AGREED. THE MISSION WENT ON TO SUGGEST THAT THERE SHOULD BE A PAUSE (PERIOD UNSPECIFIED) ON GRANTING CREDITS TO THE SOVIET UNION. IN RESPONSE PAYE ARGUED THAT THE LEVEL OF SUBSIDY INVOLVED IN FRENCH TRADE WITH THE USSR HAD ONLY A MARGINAL EFFECT ON THE ECONOMIC CAPABILITY OF THE SOVIET UNION. THE AMERICANS CONCEDED THIS ARGUMENT BUT SAID THAT ANY SUBSIDY ELEMENT, HOWEVER LIMITED, WAS SELF-DEFEATING FOR THE WEST. PAYE COUNTERED BY DESCRIBING THE PROBLEMS OF COUNTRIES LIKE FRANCE WITH HIGH DOMESTIC INFLATION RATES IN MAINTAINING EXPORTS TO EASTERN EUROPE. HE SUGGESTED THAT THE LIKELY CONSEQUENCE OF ANY DECISION TO STOP SUBSIDISING FRENCH EXPORT CREDITS TO EASTERN EUROPE WOULD BE A TOTAL HALT IN SUCH TRADE, SINCE COMPANIES COULD NOT DO BUSINESS ON ANY OTHER BASIS. INSTEAD, LOW INFLATION RATE COUNTRIES SUCH AS JAPAN WOULD REAP THE DIVIDENDS, THUS CREATING A TREND WHICH COULD NOT EASILY BE REVERSED.

4. THIS EXCHANGE LED ON TO A DISCUSSION ABOUT THE WEST'S FUTURE TRADING RELATIONSHIP WITH THE USSR. ACCORDING TO MOUTON, THE BUCKLEY MISSION DID NOT SPECIFICALLY SUGGEST PUTTING THE USSR IN A SPECIAL CATEGORY. THEY NEVERTHELESS DEVELOPED THE THEME, AS IN BONN, THAT THE TRADE SHOULD BE PLACED FIRMLY ON A MARKET BASIS. PAYE STRESSED THAT EXTERNAL TRADE WAS A MATTER FOR THE EC AND A NUMBER OF SMALLER MEMBER STATES WERE HIGHLY RESISTANT TO SUCH PROPOSALS. HE AGREED EVENTUALLY, IN RESPONSE TO US PRESSURE ABOUT AN EXPORT CREDIT PAUSE, THAT IT WOULD BE USEFUL

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TO UNDERTAKE A REVIEW OF EAST/WEST TRADE, PROVIDED THAT THIS LOOKED AT THE LONG-TERM PERSPECTIVES. HE SUGGESTED ON A PERSONAL BASIS THAT THIS EXERCISE COULD BE PLACED IN THE CONTEXT OF PREPARATIONS FOR THE VERSAILLES SUMMIT.

5. THERE WAS VIRTUALLY NO DISCUSSION OF NON-UNDERMINING, WHICH THE MISSION POINTEDLY DID NOT RAISE. IN THE GENERAL DISCUSSION PAYE EMPHASISED THE NEED FOR SYMMETRY BETWEEN THE ACTION TAKEN BY THE US AND EUROPE AND DESCRIBED AT LENGTH THE MEASURES WHICH EUROPEAN COUNTRIES HAD ALREADY TAKEN. HE MENTIONED US GRAIN SALES IN PASSING, AT WHICH POINT THE MISSION RAPIDLY CHANGED THE SUBJECT. THERE WAS ALSO AN EXCHANGE ON ENERGY COMPENSATION ON THE LINES OF PARAGRAPH 7 OF BONN TUR.

6. MOUTON SAID HE CAME AWAY WITH THE FOLLOWING OVERALL IMPRESSIONS. HE THOUGHT THE MISSION WAS TO SOME EXTENT GOING THROUGH THE MOTIONS, AND WAS GETTING THE ANSWERS IT EXPECTED. NEVERTHELESS HE CONSIDERED THAT THE STATE DEPARTMENT MEMBERS BELIEVED THAT DIRECT EXPOSURE TO EUROPEAN VIEWS AND PROBLEMS WOULD BE AN EDUCATIVE PROGRESS FOR REPRESENTATIVES OF SOME OTHER US DEPARTMENTS. LELAND HAD DONE MOST OF THE TALKING ON THE AMERICAN SIDE, AND THERE HAD BEEN SOME SHARP EXCHANGES WITH PAYE ABOUT, FOR EXAMPLE, US DEMANDS FOR ACCESS TO FRENCH DOCUMENTS ON FRANCO/SOVIET TRADE. THE MISSION HAD NOT GIVEN ANY CLEAR INDICATION OF ANY CONCLUSIONS WHICH THEY HAD DRAWN FROM THEIR DISCUSSIONS. BUCKLEY HAD SIMPLY SAID THAT THE POINTS WHICH HAD BEEN MADE WOULD BE FED INTO THE PREPARATIONS FOR ANY DECISIONS WHICH PRESIDENT REAGAN MIGHT TAKE ON FURTHER STEPS.

7. SAUTTER TOLD US TODAY THAT HIS DISCUSSIONS WITH SOME MEMBERS OF THE MISSION (NOT INCLUDING BUCKLEY) HAD BEEN IN GENERAL TERMS. SAUTTER HAD MADE THE POINT FIRMLY THAT FRANCE WAS BEING EXTREMELY STRICT ON HIGH TECHNOLOGY EXPORTS TO THE USSR. MOREOVER THE USSR WAS NO LONGER IN A PRIVILEGED TRADING RELATIONSHIP WITH FRANCE, SINCE IT WAS TREATED IN TERMS OF EXPORT CREDITS LIKE ANY OTHER RICH COUNTRY. FRANCE HAD NO INTENTION OF EMBARKING ON ANY POLICY WHICH APPEARED TO MOVE IN THE DIRECTION OF A TRADE EMBARGO OR EXPORT CREDIT BOYCOTT.

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