



Foreign and Commonwealth Office

London SW1A 2AH

4 November 1982

New York

H.C.

Pipeline

attended - You will have seen from Washington telnos 3555, 3556 and 3557 of 3 November that what may be the critical meeting of the Summit Seven (plus Commission and Presidency) is to take place in Washington at 3 pm local time today.

Oliver Wright reports that everybody is now ready to accept the latest American version of the Shultz paper (Washington telno 3556) except the French, who are isolated. In particular, they object to the wording on credits in paragraph 3(b) of the text, although everyone else is ready to accept it.

There is, therefore, a real possibility that the whole negotiation will break down because of French intransigence on a point which, in the view of all their partners, lacks substance.

The Foreign and Commonwealth Secretary may be able to speak to M. Cheysson on the telephone later this afternoon. But, given the timing of the meeting in Washington, and what is at stake, Mr Pym recommends that the Prime Minister should personally speak to M. Mitterrand when she is in Paris later today.

The Prime Minister could make the following points:

- i. we now seem very close to agreement;
- ii. Americans have moved a long way to meet European views;
- iii. we understand that all concerned except France are now ready to accept latest text;
- iv. urge France not to stand in way of the consensus that has emerged;
- v. today's meeting of Seven is critical. If we lose this opportunity, not only will we risk failure to achieve lifting of sanctions; we shall also have lost the chance to put the West's handling of East-West economic questions on a more coherent and logical basis. These are two important prizes.

(R B Bone)  
Private Secretary

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TO FLASH WASHINGTON

TELEGRAM NUMBER 1955 OF 4 NOVEMBER

AND TO FLASH PARIS

AND TO IMMEDIATE BONN

INFO PRIORITY UKREP BRUSSELS, COPENHAGEN

ROUTINE UKDEL NATO, UKDEL OECD, ROME, THE HAGUE, BRUSSELS,

INFO SAVING DUBLIN, ATHENS, TOKYO, OTTAWA

YOUR TELS 3555-7: EAST/WEST ECONOMIC RELATIONS (PIPELINE)

1. WE HAVE THE FOLLOWING COMMENTS ON THE LATEST TEXT AND DISCUSSIONS. WE HAVE NO OBJECTION TO THE IRISH REFORMULATION IN THE PREAMBLE (NOR TO THE CONCEPT OF A COMMISSION SIDE LETTER) THOUGH WE ARE, AS YOU KNOW, CONTENT WITH THE EXISTING WORDING. WE ENDORSE DENMAN'S OBSERVATION ON THE WORD QUOTE THEREFORE UNQUOTE IN THE SECOND CRITERION. IN 3(A) WE PREFER THE WORD QUOTE FOLLOWING UNQUOTE TO THE WORD QUOTE BUILDING UNQUOTE, BUT CAN EASILY LIVE WITH THE LATTER WORD.
2. ON THE FINAL SENTENCE OF 3(B) WE ALSO HAVE DIFFICULTY WITH THE LATEST US VERSION, PARTICULARLY WITH THE WORDS QUOTE BUILDING UPON UNQUOTE FOLLOWED BY THE ITEMISATION. WE WOULD PREFER THE WORDING QUOTE HAVING IN MIND THE CRITERIA IN PARAGRAPH 2 ABOVE AND THE AGREEMENTS ALREADY REACHED IN THE OECD EXPORT CREDITS CONSENSUS ARRANGEMENT, THEY WILL WORK URGENTLY FURTHER TO HARMONISE NATIONAL EXPORT CREDIT POLICIES FULLSTOP UNQUOTE. WE COULD AGREE TO THE DELETION OF THE REFERENCE TO THE OECD CONSENSUS BUT IF IT STAYS WE WOULD PREFER TO DELETE THE WORDS QUOTE BUILDING UPON UNQUOTE.
3. IF THESE FORMULAE CONTINUE TO CAUSE PROBLEMS YOU HAVE DISCRETION TO FLOAT (YET ANOTHER) MORE GENERALISED VERSION WHICH TRIES TO AVOID THE AMERICAN OBJECTIONS TO MERE STUDIES AND THE FRENCH BROAD OBJECTIONS TO HARMONISATION: QUOTE THEY WILL WORK URGENTLY FOR GREATER CONSISTENCY OF NATIONAL POLICIES IN THE EXPORT CREDIT FIELD FULLSTOP UNQUOTE.
4. THE EXTENDED DEFINITION OF NATIONAL CREDIT POLICY AS PROPOSED BY THE FRENCH IS A NON-STARTER. THE GERMAN ECONOMIC DIRECTOR TOLD HIS FRENCH COUNTERPART THIS MORNING THAT THE GERMAN GOVERNMENT FOUND THE FRENCH FORMULATION UNACCEPTABLE. NEITHER COULD WE ACCEPT ANY EXPLICIT COMMITMENT TO HARMONISE NON-OFFICIAL CREDITS.
5. I HOPE TO SPEAK TO CHEYSSON ON THE TELEPHONE LATER TODAY, AND WE ARE RECOMMENDING THAT THE PRIME MINISTER SHOULD STRESS TO PRESIDENT MITTERRAND THIS EVENING, WHEN THEY MEET IN PARIS, THE DANGER OF LOSING THE OPPORTUNITY OF AGREEING A TEXT, WHICH ENABLED US TO ACHIEVE THE LIFTING OF SANCTIONS, AND THE ESTABLISHMENT OF A STRATEGY FOR THE CONDUCT OF EAST/WEST ECONOMIC RELATIONS.
6. HOWEVER, WE (LIKE PAYE) ARE DISTURBED BY THE IMPLICATIONS OF EAGLEBURGER'S REMARKS TO BORCH (PARA 10 OF YOUR TEL 3557). THEY COULD MEAN THAT THE AMERICANS INTEND IN RETURN FOR AN AGREED TEXT ONLY TO RELEASE EXISTING REPEAT EXISTING CONTRACTS FROM THEIR DECEMBER 1981 AND JUNE 1982 MEASURES, AND PRESUMABLY TO LIFT THE DENIAL ORDERS. THIS WILL NOT BE SUFFICIENT FOR OUR PURPOSES. THE POSITION REMAINS AS IN MY TEL 1923. WE HAVE AMERICAN PRECISION ON THIS POINT.