

00 FCO

IMMEDIATE

00 BONN

RR UKREP BRUSSELS

ADVANCE COPY

WED

RR UKDEL NATO

RR WASHINGTON

PS

RR MODUK

[Standard]

PS

M'HURD

GRS 800

PS

PUS

CONFIDENTIAL

FM PARIS 181710Z MAY 83

NO 10 DS

SIN

J Buller

TO IMMEDIATE FCO

TELEGRAM NUMBER 422 OF 18 MAY

M' Janko:

INFO IMMEDIATE BONN

INFO ROUTINE UKREP BRUSSELS, UKDEL NATO, WASHINGTON, MODUK

INFO SAVING OTHER EC POSTS

RC

MY TELNO 408: FRANCO-GERMAN SUMMIT, 16 - 17 MAY 1983

SUMMARY

1. OUR CONVERSATIONS WITH FRENCH AND GERMAN OFFICIALS SUGGEST THAT BENEATH PUBLIC AMIABILITY THERE WAS NO RECONCILIATION OF DIVERGENCES ON ECONOMIC POLICY. TALK IN PRIVATE WAS BLUNT, ESPECIALLY ON THE GERMAN SIDE. THERE ARE SIGNS OF MOUNTING GERMAN IMPATIENCE AT THE PROPENSITY OF THE FRENCH TO BLAME OTHER FOR THEIR ECONOMIC PROBLEMS.

DETAIL

GENERAL ATMOSPHERE

2. ACCORDING TO THE FRENCH THE ATMOSPHERE WAS "NOT GAY". ALL PARTICIPANTS SEEMED TIRED. PROCEEDINGS WERE MORE FORMAL AND LESS LIVELY THAN IN SCHMIDT'S DAY. THE GERMAN AMBASSADOR CLAIMED TO ME THAT KOHL AND MITTERRAND GOT ON WELL: BOTH WERE GENERALISTS AND DISLIKED DETAIL. THE TOUGH EXCHANGES TOOK PLACE LARGELY BETWEEN THE RELEVANT MINISTERS. IT IS CLEAR, HOWEVER, THAT BOTH KOHL AND HIS MINISTERS SPOKE BLUNTLY (SEE BELOW).

~~INTERNATION ECONOMIC QUESTIONS AND PROSPECTS FOR WILLIAMSBURG~~

~~3. ACCORDING TO THE GERMAN EMBASSY KOHL TOLD MITTERRAND BOTH IN PRIVATE AND IN PLENARY SESSION THAT HE HAD NOT COME TO PARIS TO DISCUSS THE ECONOMIC SITUATION AND POLICY OF A FRIEND AND ALLY~~

OVER.

INTERNATIONAL ECONOMIC QUESTIONS AND PROSPECTS FOR WILLIAMSBURG

3. ACCORDING TO THE GERMAN EMBASSY KOHL TOLD MITTERRAND BOTH IN PRIVATE AND IN PLENARY SESSION THAT HE HAD NOT COME TO PARIS TO DISCUSS THE ECONOMIC SITUATION AND POLICY OF A FRIEND AND ALLY (IE THE US). GERMANY ACKNOWLEDGED THE IMPACT ON EUROPE OF HIGH US INTEREST RATES, THE US BUDGET DEFICIT AND THE EXPENSIVE DOLLAR, BUT EUROPE HAD TO WORK OUT ITS OWN SALVATION GIVEN THESE CONSTRAINTS.

4. THE FRENCH RESTATED TO A SCEPTICAL GERMAN AUDIENCE THEIR INTENTION TO REDUCE INFLATION TO 3 PERCENT BY THE END OF 1983. THE GERMANS SAID THERE WERE SIGNS OF RECOVERY IN THE FRG BUT IT WAS SLOW AND UNCERTAIN. GREAT CAUTION WAS NEEDED, AND ANY LARGE-SCALE RELATION WAS ABSOLUTELY OUT OF THE QUESTION. THERE WAS TO BE NO LOCOMOTIVE ROLE. GERMAN OFFICIALS COMMENTED TO US THAT THEIR MINISTERS MADE CLEAR THAT FRENCH DREAMS OF HELP FROM OUTSIDE TO OVERCOME THEIR ECONOMIC DIFFICULTIES WERE UNREAL. GERMAN POLICY WAS STRICT IN ITS SEARCH FOR STABILITY AND WOULD NOT BE MODIFIED JUST TO BE NICE TO THE FRENCH.

5. THE GERMANS EXPLAINED PATIENTLY THAT THE TIME HAD NOT COME FOR A NEW BRETTON WOODS CONFERENCE. THERE REMAINED A DEEP DIVERGENCE OF OPINION ON INTERVENTION TO INFLUENCE EXCHANGE RATES. IN A DISCUSSION OF INTEREST RATES THE GERMANS NOTED THAT THEY FAVOURED LOWER RATES, BUT THAT THE US COULD NOT MAKE CHANGES OVERNIGHT. AT WILLIAMSBURG THEY WOULD THEREFORE NOT ASK THE US FOR WHAT WAS UNOBTAINABLE, THOUGH THEY MIGHT MAKE CRITICAL REMARKS ABOUT THE EFFECT OF US MONETARY POLICY ON THE WORLD ECONOMY. ACCORDING TO THE GERMANS, DELORS SAID IN PRIVATE THAT IF IT WERE UP TO HIM FRANCE WOULD NOT BE REPRESENTED AT WILLIAMSBURG; BUT HE DID NOT KNOW HOW MITTERRAND WOULD ACT. ON INTERNATIONAL LIQUIDITY THERE WAS A TOUGH DISCUSSION AND NO MEETING OF MINDS. DELORS ADVOCATED INCREASED LIQUIDITY AND MORE SDRS FOR DEVELOPING COUNTRIES; LAMBS-DORFF VIGOROUSLY OPPOSED THIS POINT OF VIEW, WARNING OF THE RISKS OF INFLATION.

6. THE GERMANS PLEADED FOR THE PROLONGATION OF THE OECD CONSENSUS ON CREDITS. THE FRENCH SHOWED A STRONG WISH TO PROVIDE CREDITS BELOW THE MARKET RATE. STOLTENBERG WARNED AGAINST RENEWING THE "IDIOTIC" ATTEMPT TO GET ORDERS FROM EAST EUROPEAN COUNTRIES BY MEANS OF SUBSIDIES. THERE WAS NO ANSWER FROM DELORS.

LATERAL ECONOMIC RELATIONS

7. THE GERMANS SAY THAT MME CRESSON WAS VERY AGGRESSIVE IN DISCUSSION OF INDUSTRIAL STANDARDS. GERMAN MINISTERS HAD GREAT DIFFICULTY IN MAKING CLEAR TO HER THAT STANDARDS WERE ESSENTIAL. THEY HAD SAID THEY WOULD ACCEPT EUROPEAN STANDARDS, BUT THE FRENCH WERE BLOCKING THESE IN BRUSSELS. AFTER A TOUGH DISCUSSION LAMBSDORFF LOST PATIENCE AND TOLD THE FRENCH THAT THEY COULD NOT IMPROVE THEIR TRADING POSITION EVEN IF THERE WERE NO PROBLEM OF STANDARDS. GERMANY WAS AN OPEN MARKET. THE FRENCH WERE THE ONLY ONES TO COMPLAIN: AND THEIR DIFFICULTIES WERE SOLELY THE CONSEQUENCE OF THEIR OWN ECONOMIC POLICY.

DEFENCE COLLABORATION

8. ACCORDING TO FRENCH OFFICIALS, THE MEETING OF DEFENCE AND FOREIGN AFFAIRS MINISTERS HAD DISCUSSED THE FRENCH PROGRAMME LAW ON DEFENCE PLANNING AND THE INF NEGOTIATIONS. THE GERMANS HAD BEEN PREOCCUPIED BY THE POSSIBILITY OF A REDUCTION IN THE FRENCH MILITARY PRESENCE IN THE FRG. THE FRENCH HAD ARGUED THAT THERE WOULD BE NO SIGNIFICANT CUT IN TROOP NUMBERS, THAT NUMBERS OF TANKS WOULD BE INCREASED AND THAT THE PROPOSED RAPID ASSISTANCE FORCE WOULD STRENGTHEN FRENCH ABILITY TO INTERVENE IN AN EUROPEAN CONFLICT. THE OFFICIAL LEVEL WORKING GROUP ON STRATEGY WILL NOW TURN TO A DISCUSSION OF THE ROLE TO BE PLAYED BY THE RAPID ASSISTANCE FORCE, ONCE IT IS FORMED.

9. ON THE JOINT HELICOPTER PROJECT THE FRENCH COMMENTED TO US THAT THE GAP BETWEEN NATIONAL SPECIFICATIONS HAD NOW BEEN SIGNIFICANTLY NARROWED. KOHL SEEMED PREPARED TO PUT CONSIDERABLE POLITICAL WEIGHT BEHIND THE PROJECT. THE GERMAN EMBASSY SAID THAT THE PROJECT WAS SEEN BY KOHL AS OF IMPORTANCE IN BOTH POLITICAL AND DEFENCE TERMS. HE WOULD PLAY THINGS QUIETLY IN AN ATTEMPT TO SECURE A CONSENSUS IN THE BUNDESTAG.

INDUSTRIAL COOPERATION

10. ACCORDING TO THE GERMAN EMBASSY, GERMAN MINISTERS WERE MORE OPEN-MINDED THAN BEFORE TO THE FRENCH IDEA OF GOVERNMENTAL INTERVENTION TO PROMOTE INDUSTRIAL COOPERATION. PROSPECTS FOR COLLABORATION HAD BEEN IDENTIFIED IN THE FIELDS OF RAIL TRANSPORT, FAST BREEDER REACTORS, ELECTRONICS AND SATELLITE COMMUNICATIONS.

~~FAST BREEDER REACTORS, ELECTRONICS AND OTHERS~~

COMMUNITY AFFAIRS

11. THERE WAS LENGTHY DISCUSSION ON COMMUNITY PROBLEMS. ACCORDING TO THE GERMAN EMBASSY, THE FRENCH GOVERNMENT NOW CONSIDERED THAT A DECISION ON THE BRITISH CONTRIBUTION IN 1983 SHOULD BE PLACED FIRMLY IN THE PERSPECTIVE OF NEW FINANCING RULES FOR THE LONG TERM. GERMAN MINISTERS HAD SAID THAT TO INSIST ON PRIOR AGREEMENT ON EVEN AN OUTLINE OF LONG TERM RULES WOULD MAKE IT DIFFICULT TO COME TO TERMS ON 1983. THE GERMAN AMBASSADOR COMMENTED TO ME THAT THE FRENCH SEEMED TO HAVE IN MIND A GIGANTIC PACKAGE DEAL COVERING AN INCREASE IN VAT, REFORM OF THE CAP, ENLARGEMENT AND PARLIAMENTARY RATIFICATION. HE WAS APPREHENSIVE ABOUT THE PROBLEMS ALL THIS WOULD POSE FOR THE PRESIDENCY AT STUTT GART.

12. STOLTENBERG TOLD A MEMBER OF THE GERMAN EMBASSY THAT AN UNWRITTEN PROMISE HAD BEEN GIVEN BY DELORS IN RESTRICTED SESSION DURING NEGOTIATIONS ON THE OIL FACILITY LOAN THAT FRANCE WOULD NOT RESORT TO ANY MAJOR ACT OF PROTECTIONISM IF GRANTED THE LOAN.

13. FURTHER DETAIL FOLLOWS BY BAG (TO FCO, BONN AND UKREP ONLY). FOR FRENCH PRESS REACTIONS SEE MIFT.

FCO PSE PASS SAVING ADDRESSEES

FRETWELL

NNNN