

CONFIDENTIAL

FM PARIS

TO DESKBY 051800Z FCO

TELNO 1040

OF 051540Z SEPTEMBE

INFO IMMEDIATE UKREP BRUSSELS

INFO PRIORITY OTHER EC POSTS, WASHINGTON, UKMIS NEW YORK, RIYADH

INFO PRIORITY OTTAWA, ANKARA, AMMAN, CAIRO, JEDDA, UKMIS GENEVA,

INFO PRIORITY PRAGUE, SOFIA, BUDAPEST, BELGRADE, UKDEL IMF/IBRD

ADVANCE COPY

YOUR TELNO 231 TO UKREP BRUSSELS: IRAQ/KUWAIT SANCTIONS: EC
ECONOMIC ASSISTANCE TO THIRD COUNTRIES

SUMMARY

1. FRENCH SEE POLITICAL ADVANTAGE OF EC CONTRIBUTION, PREFERABLY FROM WITHIN EXISTING RESOURCES. THEY MIGHT JUST LIVE WITH A 300/400 MECU PACKAGE IN 1990, BUT ARE DOUBTFUL ABOUT A 1 BECU PROGRAMME IN 1991. THEY ACCEPT THAT THE MAIN FOCUS SHOULD REMAIN ON BILATERAL BUT INTERNATIONALLY-COORDINATED EFFORT, BUT THEY ARE TAKEN ABACK AT THE SCALE IDENTIFIED BY THE US, WHICH THEY FEAR MAY HAVE A KNOCK-ON EFFECT ON THE SIZE OF THE COMMISSION'S OWN PROPOSAL. NATIONS' MILITARY CONTRIBUTIONS NEED BE TAKEN ACCOUNT OF, BUT NOT PERHAPS IN THE NARROW EC CONTEXT. THE KEY IS TO PRODUCE A JAPANESE AND GERMAN FINANCIAL EFFORT AT LEAST COMMENSURATE WITH THE MILITARY EFFORTS OF OTHERS.

DETAIL

2. LEFAS (CHEF DE SERVICE, QUAI) TOLD US THAT FRANCE SUPPORTED THE IDEA OF AN EC PACKAGE FOR POLITICAL REASONS: IT WAS IMPORTANT, NOT LEASE FOR THE COMMUNITY'S FUTURE RELATIONS WITH THE ARAB WORLD, FOR THE EC TO BE SEE ACTING TOGETHER IN HELPING THOSE AFFECTED BY SANCTIONS. HE ACKNOWLEDGED THAT THE MAIN EFFORT SHOULD REMAIN IN THE FORM OF BILATERAL BUT INTERNATIONALLY-COORDINATED ASSISTANCE: HOWEVER THE US PROPOSALS WERE ALARMINGLY EXPENSIVE.

3. FRANCE MIGHT JUST LIVE WITH THE PACKAGE OF EC ECONOMIC ASSISTANCE OF BETWEEN 300 AND 400 MECU IN 1990 WHICH THE COMMISSION HAD SEEMED TO BE CONSIDERING: LEFAS WAS LESS SURE ABOUT SUGGESTIONS OF A 1 BECU PROGRAMME IN 1991. HOWEVER THE FRENCH WERE WORRIED THAT THE SIZE OF THE US PACKAGE COULD HAVE A KNOCK ON EFFECT IN BRUSSELS.

4. LEFAS ACCEPTED THAT ANY ASSISTANCE SHOULD NOT ERODE IMF

CONDITIONALITY, ADDING THAT NOTHING SHOULD BE DONE WHICH APPEARED TO ACCEPT COMMUNITY COMPETENCE ON DEBT ISSUES. HE AGREED THAT A STRAIGHT BALANCE OF PAYMENTS LOAN SUCH AS THAT PROVIDED TO HUNGARY WOULD BE INAPPROPRIATE. FRANCE WOULD NOT OPPOSE ASSISTANCE TO TURKEY, INITIALLY THROUGH UNBLOCKING THE FOURTH FINANCIAL PROTOCOL. EGYPT SHOULD CLEARLY BE HELPED AS MUCH AS ITS DEBT PROBLEMS ALLOWED: SIMILARLY JORDAN, SUBJECT TO ITS APPLICATION OF SANCTIONS. IN GENERAL, THE UNBLOCKING OR ACCELERATION OF FINANCE ALREADY EARMARKED FOR THE THREE MAJOR POTENTIAL RECIPIENTS COULD ACHIEVE A GOOD DEAL AT RELATIVELY LITTLE COST.

5. LEFAS ADDED THAT FRANCE WOULD LIKE TO SEE MOROCCO, BANGLADESH AND DJIBOUTI INCLUDED IN THE LIST OF POSSIBLE RECIPIENTS.

6. ON THE QUESTION OF MILITARY CONTRIBUTIONS, LEFAS THOUGHT IT UNLIKELY THAT CREDIT COULD BE GIVEN IN THE NARROW CONTEXT OF AN EC PACKAGE. THE IMPORTANT THING WAS TO TAKE THIS INTO ACCOUNT IN THE PERSPECTIVE OF BURDEN-SHARING AS A WHOLE. AS BIANCO (SECRETARY GENERAL OF THE ELYSEE) MAKE CLEAR TO ME YESTERDAY, THE GERMANS AND JAPANESE NEEDED TO TAKE THEIR FULL SHARE OF THE BURDEN BY COMPENSATING FOR THEIR LACK OF MILITARY SUPPORT WITH HARD CASH. DUMAS' TELEVISION INTERVIEW ON 3 SEPTEMBER (MY TELNO 1035) CONFIRMED THE FRENCH VIEW THAT THEIR MATERIAL CONTRIBUTION SHOULD BE TAKEN INTO ACCOUNT WHEN THE FINANCIAL SUMS ARE EVENTUALLY DONE.

COMMENT

7. AT A TIME OF ACUTE PRESSURE ON THE BUDGET AND THE HIGHLY SENSITIVE INTERNAL POLITICAL ASPECTS OF CURRENT BUDGETARY DISCUSSIONS THE FRENCH ARE DEEPLY WORRIED ABOUT THE SIZE OF BILLS BEING TENDERED. THEY WILL DO THEIR UTMOST TO OFFSET THEIR HEAVY MILITARY COSTS AGAINST THESE, BUT THEY DO NOT SEE MUCH HOPE OF DOING SO IN THE NARROW CONTEXT OF AN EC CONTRIBUTION. THEY ARE PARTICULARLY CONCERNED THAT THE UNEXPECTEDLY COSTLY US PROPOSALS WILL INCREASE THE COMMISSION'S AMBITIONS, AND HAVE PROPOSED THAT WE URGENTLY SHARE OUR VIEWS ON HOW TO ASSESS THE AMERICAN FIGURES AND ON HOW TO REACT TO THEM. WE CLEARLY HAVE A COMMON INTEREST, EVEN THOUGH THE FRENCH MAY IN THE FINAL ANALYSIS GO ALONG WITH A SOMEWHAT LARGER EC PACKAGE THAN WE SHOULD LIKE.

FERGUSON

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