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INFO ROUTINE WASHINGTON, PARIS, ROME, OTTAWA, TOKYO, UKREP BRUSSELS

FCO TELNO 1209: PARIS ECONOMIC SUMMIT

SUMMARY

1. ENVIRONMENT THE MAIN SUMMIT ISSUE FOR FRG. GERMANS NEITHER PLAN NOR EXPECT REAL SURPRISES AT SUMMIT. BUT THEY ARE WORRIED THAT MITTERRAND COULD RAISE FORMALISATION OF CURRENCY ALIGNMENTS AND SDR ALLOCATIONS TO DEBTOR COUNTRIES.

DETAIL

2. ACTION TAKEN WITH TIETMEYER (STATE SECRETARY FINANCE MINISTRY, THE GERMAN SHERPA) AND WITH GRIMM (DUS, FEDERAL CHANCELLERY).

3. IN ANSWER TO MY QUESTION, BOTH TIETMEYER AND GRIMM SAID THAT THEY FORESAW NO SIGNIFICANT SURPRISES AT THE SUMMIT. GRIMM REPEATED THE POINT SEVERAL TIMES WITH EMPHASIS AND THOUGHT THAT DISCUSSION WOULD NOT GO MUCH BEYOND THE SHERPAS' THEMATIC PAPER. TIETMEYER SAW A RISK OF THE FRENCH RAISING TWO OLD MITTERRAND THEMES, NEITHER OF WHICH THE GERMANS RELISHED:

(I) THE FRENCH WANTED TO GO BEYOND THE LOUVRE AGREEMENT ON EXCHANGE RATES AND CONSTRUCT SOMETHING WIDER AND MORE FORMAL. THE GERMANS THOUGHT IT WRONG AND TOTALLY UNREALISTIC TO TRY TO CREATE A NEW SYSTEM IN PLACE OF THE PRESENT PRAGMATIC CO-OPERATION. THEY THOUGHT THEY COULD COUNT ON SUPPORT FROM THE UK, JAPAN AND CANADA AGAINST ANY FRENCH PROPOSAL, BUT THE USA WAS SPEAKING WITH SEVERAL VOICES.

(II) THE FRENCH MIGHT AGAIN PROPOSE SDR ALLOCATIONS FOR DEBTOR COUNTRIES. THE GERMANS AGREED WITH US THAT THIS WAS DIFFICULT, SINCE IT WOULD REMOVE PRESSURE ON THE COUNTRIES CONCERNED TO RESOLVE THEIR DEBT PROBLEMS IN NEGOTIATION WITH THE BANKS. AND IT WOULD ALSO BE HARD TO AVOID FURTHER SDR ALLOCATIONS IN THE FUTURE.

TIETMEYER DID NOT KNOW OF ANY OTHER FRENCH INITIATIVES BUT CAUTIONED THAT IT WAS NOT YET CLEAR WHAT GORBACHEV MIGHT DO IN PARIS AND THAT THIS COULD HAVE SOME EFFECT ON THE FRENCH POSITION. HE THOUGHT THAT THE JAPANESE MIGHT ANNOUNCE A PACKAGE OF ASSISTANCE FOR THE LDCS IN

PARIS, BUT THAT THIS WOULD PROBABLY CONTAIN NOTHING NEW.

4. TIETMEYER STRESSED THE IMPORTANCE OF ENVIRONMENTAL ISSUES. THE FEDERAL GOVERNMENT HAD BEEN PUSHING THESE SINCE 1985 AND WERE GLAD THAT WE, THE AMERICANS, FRENCH AND ITALIANS NOW SHARED THEIR CONCERN. HE AGREED WITH THE UK VIEW THAT ENVIRONMENTAL POLICY HAD TO TAKE ACCOUNT OF ECONOMIC FACTORS. ON CO2 EMISSIONS AND THE GREENHOUSE EFFECT, THE INTERNATIONAL COMMUNITY SHOULD NOT INSIST ON ABSOLUTE SCIENTIFIC CERTAINTY BUT SHOULD ACT AS SOON AS THERE WAS 'SUFFICIENT' EVIDENCE. ON TROPICAL RAIN FORESTS THE GERMANS SAW THE LINK WITH DEBT AS A GOOD POLICY OPTION BUT NOT A PANACEA. THEY WERE GLAD THAT THE IBRD HAD NOW BEGUN TO INSERT SOME 'GREEN CONDITIONALITY' INTO ITS LOANS.

5. GRIMM SAID THAT THE FRG UNDERSTOOD OUR CONCERN ABOUT INFLATION AS A TOP ECONOMIC PRIORITY, THOUGH THEY HAD LESS PROBLEMS ON THIS FRONT THAN THE UK. ON GATT, IT WOULD BE EASIER IF AGRICULTURE WERE NOT HIGHLIGHTED AS A SPECIAL ISSUE BUT GIVEN EQUAL WEIGHT WITH ALL ISSUES UNDER NEGOTIATION.

6. ON EAST/WEST RELATIONS TIETMEYER THOUGHT THAT BOTH POLITICAL AND ECONOMIC ISSUES SHOULD BE PRESENTED PUBLICLY TOGETHER BUT IN GENERAL TERMS QUOTE WITH NO FIGURES UNQUOTE. HE REFERRED TO THE POSTPONEMENT OF KOHL'S VISIT TO WARSAW AND SAID THAT THE GERMANS HAD NO INTENTION OF PROVIDING LARGE AMOUNTS OF NEW EXPORT CREDIT. THAT WOULD BE POURING MONEY INTO A BOTTOMLESS PIT.

7. GRIMM SAID THAT CAREFUL PUBLIC PRESENTATION WOULD BE NEEDED TO SHOW THAT THE SUMMIT WAS A USEFUL FORUM FOR SERIOUS DISCUSSION. THERE WAS A DANGER THAT THE ABSENCE OF ANYTHING NEW, COMBINED WITH THE 'THEATRICALS' ASSOCIATED WITH THE BI-CENTENARY OF THE FRENCH REVOLUTION, WOULD GIVE THE WRONG IMPRESSION.

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