

FOR 1834-2

DD

CB BONN/FCO 009/27

ADVANCE COPY

IMMEDIATE

ECO (1)

DD FCO 271830Z

OO UKREP BRUSSELS

OO PARIS

Sir C. Tickell
Mr. Hannay
Mr. Fairweather
Mr. Wall

GRS 870

CONFIDENTIAL

DESKBY 271830Z

FRAME ECONOMIC

FM BONN 271715Z FEB 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 219 OF 27 FEBRUARY

INFO IMMEDIATE UKREP BRUSSELS, PARIS

POST-STUTTGART NEGOTIATIONS:

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL, 28 FEBRUARY

1. COUNSELLOR (ECONOMIC) HAD AN OPPORTUNITY TODAY TO TALK TO GRIMM (FEDERAL CHANCELLERY).

2. GRIMM SAID THAT TOMORROW THE FEDERAL CHANCELLOR WOULD WANT TO CONCENTRATE ON THE IMMEDIATE ISSUES OF THE STUTTGART PACKAGE AND ALSO WANT TO TALK ABOUT CLOSER EUROPEAN COOPERATION IN THE POLITICAL AND SECURITY FIELDS.

3. ON THE OUTCOME OF THE KOHL/MITTERRAND MEETING ON 24 FEBRUARY, GRIMM (WHO HAD NOT SEEN THE CHANCELLOR SINCE 24 FEBRUARY) DECLINED TO BE VERY SPECIFIC. HE SAID THE TWO HEADS OF GOVERNMENT HAD SPENT SOME TIME DISCUSSING THE LORRY DRIVER'S BLOCKADE AND ITS IMPLICATIONS BUT, ON THE STUTTGART PACKAGE DID NOT SEEM TO HAVE NARROWED THE GAPS BETWEEN THEIR RESPECTIVE POSITIONS VERY MUCH. GRIMM SAID THAT ON THE QUESTION OF THRESHOLDS AND SUPER LEVIES FOR MILK AND MEDITERRANEAN PRODUCTS THERE WAS STILL A GAP BETWEEN THE TWO SIDES. THE FRENCH ACCEPTED THE NEED FOR BUDGETARY DISCIPLINE BUT WERE NOT READY TO GO AS FAR AS THE GERMANS. ON THE QUESTION OF BUDGETARY IMBALANCES THE FRENCH ACCEPTED THE PRINCIPLE THAT THESE SHOULD BE CORRECTED BUT WERE NOT YET READY TO TRANSLATE THAT PRINCIPLE INTO ACTION, AS FAR AS THE FEDERAL REPUBLIC WAS CONCERNED. GRIMM THOUGHT THAT MITTERRAND WAS STILL RELUCTANT TO SHOW HIS HAND.

4. SPEAKING MORE GENERALLY, GRIMM SAID THAT AT FIRST THE FRENCH APPROACH SEEMED TO HAVE BEEN BASED ON EXTRACTING A FINANCIAL PRICE FROM THE GERMANS FOR THE SETTLEMENT OF THE STUTTGART PACKAGE IN EXCHANGE FOR AGREEMENT ON WAYS TO BRING ABOUT CLOSER EUROPEAN (INCLUDING FRANCO/GERMAN) COOPERATION IN THE POLITICAL FIELD. THE GERMANS WERE NOT HOWEVER PREPARED TO PAY THE FINANCIAL PRICE THE FRENCH WERE ASKING AND GRIMM THOUGHT THAT THE FRENCH NOW UNDERSTOOD THAT THERE WAS NO WAY THE CONCRETE ISSUES OF THE STUTTGART PACKAGE COULD BE DUCKED. GRIMM SAID THAT MITTERRAND NEEDED THE PRESTIGE AND 'GLOIRE' FLOWING FROM A SUCCESSFUL EUROPEAN COUNCIL UNDER HIS CHAIRMANSHIP AND A RESULT ON THE SUBSTANCE THAT COULD BE PRESENTED TO HIS VOTERS AS NOT DISADVANTAGEOUS TO FRANCE. THE GERMANS FELT THAT HE HAD COME TO ACCEPT HOWEVER THAT FRANCE WOULD HAVE TO PAY SOME PRICE FOR THESE DEMANDS. GRIMM THOUGHT THAT THE PRIME MINISTER AND THE EDEEEE

AND THE FEDERAL CHANCELLOR COULD AND SHOULD REMAIN FIRM ON THE SUBSTANCE BUT SHOULD DO ALL THEY COULD TO HELP MITTERRAND. IN THIS CONNECTION THERE WAS HE THOUGHT A REAL NEED, ACCENTUATED BY THE FORTHCOMING EUROPEAN ELECTIONS, FOR ALL HEADS OF GOVERNMENT TO COOPERATE IN TALKING UP THE FUTURE OF THE COMMUNITY AND THE POSSIBILITY OF CLOSER EUROPEAN INTEGRATION. THIS SEEMS TO ECHO WHAT VON WECKMAR SAID TO BULLARD ON 24 FEBRUARY (PARA. 6 OF BULLARD'S MINUTE). THE GERMANS DID NOT SEE THERE WAS ANYTHING TO BE GAINED BY TRYING TO COMBINE WITH THE FRENCH AGAINST THE BRITISH OR WITH THE BRITISH AGAINST THE FRENCH. NEITHER WOULD SERVE GERMAN OR THE COMMUNITY'S INTEREST. BUT BOTH IN PARIS AND IN BONN THERE REMAIN UNCERTAINTY ABOUT THE DEGREE AND NATURE OF THE BRITISH COMMITMENT TO THE SHAPE OF POST-STUTTGART

EUROPE. BEAMISH POINTED OUT THAT UNTIL THE STUTTGART ISSUES WERE SUCCESSFULLY RESOLVED IT WAS DIFFICULT FOR THE BRITISH OR ANYONE ELSE FOR THAT MATTER TO HAVE A CLEAR IDEA OF HOW EUROPE COULD DEVELOP. BUT OF THE BRITISH INTEREST IN A BETTER INTEGRATED EUROPE THERE COULD BE NO DOUBT. GRIMM ADMITTED THAT IT WAS DIFFICULT TO SEE WHAT CONCRETE STEPS MIGHT BE TAKEN AND ACKNOWLEDGED THAT ALTHOUGH MANY LAY PEOPLE WOULD IMMEDIATELY THINK OF THE EMS, ECONOMISTS KNEW THAT 'MONETARY UNION' WOULD BE ONE OF THE LAST STAGES IN EUROPEAN INTEGRATION. LOOKING AHEAD TO THE EUROPEAN COUNCIL, GRIMM REPEATED THE ANXIETY HE HAD EXPRESSED TO WILLIAMSON ABOUT THE HEADS OF GOVERNMENT BEING ON THEIR OWN. THE CHANCELLOR WOULD ONLY BE SUPPORTED BY THE VICE CHANCELLOR (GENSCHER). HOWEVER, IF THE PRIME MINISTER WERE FIRM THAT WOULD MAKE IT EASIER FOR THE CHANCELLOR. A BREAKDOWN IN BRUSSELS IN MARCH WOULD BE VERY SERIOUS, ALL THE MORE SO IF RESPONSIBILITY COULD BE PINNED ON ONE PARTICIPANT. HE SEEMED TO SUGGEST THAT IF THE GERMANS, THE BRITISH AND THE DUTCH WERE STEADY THAT COULD HAVE A DECISIVE IMPACT ON THE PROCEEDINGS.

5. HE ALSO SAID, AS HE HAD TO WILLIAMSON ON 24 FEBRUARY, THAT IF FINANCE MINISTERS COULD IN SECRET AGREE BEFOREHAND ON A SYSTEM FOR CORRECTING BUDGETARY IMBALANCES THAT COULD BE ADOPTED AT THE COUNCIL BY THE HEADS OF GOVERNMENT WITHOUT GOING INTO DETAIL. IN THAT WAY NO-ONE WOULD SUFFER DEFEAT. THE PARAMETERS COULD BE AGREED ON LATER AGAINST A BACKGROUND OF WIDER SUCCESS ON THE STUTTGART PACKAGE AND A POSITIVE PICTURE ABOUT THE FURTHER DEVELOPMENT OF THE COMMUNITY. HE THOUGHT IT WOULD BE DIFFICULT FOR THE FRENCH TO ACCEPT A SYSTEM LABELLED 'MADE IN BRITAIN' AND NOT MUCH EASIER FOR THEM TO ACCEPT ONE LABELLED 'MADE IN GERMANY'.

6. ON THE QUESTION OF CLOSER COOPERATION IN THE DEFENCE AND SECURITY FIELDS, GRIMM SAID THAT KOHL WAS CONCERNED ABOUT THE NEED FOR EUROPEANS TO DO MORE TOGETHER IN THE LIGHT NOT ONLY OF REAGAN'S WAYWARDNESS IN CONSULTING HIS PARTNERS BUT ALSO GIVEN THE FACT THAT IN THE FUTURE (OF KISSINGER'S SPEECH IN BRUSSELS IN JANUARY) THE AMERICANS WOULD BE LESS ABLE TO DEVOTE AS MUCH EFFORT AND RESOURCES TO EUROPE BEARING IN MIND THEIR GROWING INVOLVEMENT IN THE PACIFIC BASIN AND THE STEADILY SHIFTING FOCUS OF AMERICAN POLICY.

7. COMMENT. I HAVE NO DOUBT THAT GRIMM WAS GIVING US HIS EXPERT VIEWS, WHICH ARE REPRESENTATIVE OF THOSE HERE WHO WANT TO GET A SENSIBLE SOLUTION IN MARCH, BUT THERE ARE OTHER, LESS HELPFUL INFLUENCES HERE TO WHICH THE CHANCELLOR IS ALSO EXPOSED.

FCO PLEASE ADVANCE TO:

WILLIAMSON, DURIE: CAB OFF

SIR C TICKELL, HANNAY, FAIRWEATHER, WALL: FCO

UNWIN, FITCHEW, MORTIMER:TSY

ANDREWS, MRS ATTRIDGE:MAFF

TAYLOR

CCN: ADD FULL STOP AFTER ' ' INTO DETAIL ' ' IN PARA 5, LINE 4.

NNNN

SENT AT 271830Z GU