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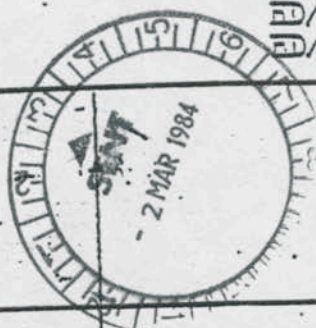
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TO IMMEDIATE FCO

TELEGRAM NUMBER 309 OF 3 MARCH

INFO PRIORITY UKREP BRUSSELS, BONN, ROUTINE OTHER EC POSTS

INFO SAVING LISBON, MADRID

POST-STUTTART NEGOTIATIONS: PRIME MINISTER'S MEETING WITH MITTERRAND, 5 MARCH

SUMMARY

1. FRENCH TACTICS FOR THE BRUSSELS EUROPEAN COUNCIL ARE EMERGING MORE CLEARLY. THE PRESIDENCY HOPE TO PRE-COOK THE MAIN ELEMENTS IN THE PACKAGE, LEAVING ASIDE THE SIZE OF THE VAT INCREASE AND OF THE UK BUDGET REFUND, CALCULATING THAT WITH THE REST OF THE TRADE-OFFS COMPLETED THERE WILL BE UNITED OPPOSITION TO A REALLY SUBSTANTIAL REFUND.

DETAIL

2. ON PROCEDURE, THE FRENCH LOOK TO THE GYMNICH-STYLE FOREIGN MINISTERS MEETING IN BRUSSELS ON 13 MARCH TO KNOCK THE PACKAGE INTO SHAPE LEAVING THE FEW KEY ISSUES TO BE FINALLY DETERMINED BY HEADS OF GOVERNMENT. BUT SOME OF THESE ISSUES, VIZ MCAS, CONTROL OF EC SPENDING, LIMITS ON MILK PRODUCTION, AND THE PRINCIPLE OF THE UK BUDGETARY REFUND, PLUS ITS LINK WITH THE DURATION OF THE NEW OWN RESOURCES CEILING, COULD PROBABLY BE BROUGHT CLOSE TO CONDITIONAL AGREEMENT BEFORE THE SUMMIT.

3. IN ALL THIS FRANCE WOULD SEE ITSELF AS MAKING THREE MAJOR CONCESSIONS, BY ACCEPTING GENUINE LIMITS ON MILK PRODUCTION, SPANISH AND PORTUGUESE ACCESSION AND THE DURABILITY OF THE UK REFUND. IN RETURN THEY WOULD GET AGREEMENT ON THE DISMANTLING OF GERMAN MCAS - DIGGING DEEP INTO THE RESERVOIR OF GERMAN GOODWILL - AND AN INCREASE IN OWN RESOURCES WHICH IS NOW AN URGENT AND INDISPENSABLE REQUIREMENT FOR FRANCE. KCON THIS ISSUE THE DELORS

AND AN INCREASE IN OWN RESOURCES WHICH IS NOW AN URGENT AND
INDISPENSABLE REQUIREMENT FOR FRANCE. (ON THIS ISSUE THE DELORS
LINE SEEMS TO BE CRUMBLING AND THE FRENCH TARGET TO BE EDGING UP
FROM 1.4 TO 1.6% - IT SEEMS NOT UNLIKELY THAT THEY WOULD FINALLY
ACCEPT AN EVEN LARGER INCREASE AS THE COMMISSION HAVE NOW
PROPOSED). RESTRAINT ON OVERALL EC SPENDING, ESPECIALLY A CURB ON
THE EUROPEAN PARLIAMENT'S DECISIONS ON NON-OBLIGATORY SPENDING,
IS A DESIRABLE CONCOMITANT FOR FRANCE TO ANY SUBSTANTIAL INCREASE
IN THE VAT CEILING (THOUGH IT MAY WELL BE PRESENTED AS A FURTHER
CONCESSION). FRANCE WILL ALSO WANT TO SECURE SOME TRIMMINGS,
INCLUDING A STATEMENT ON NEW POLICIES. MITTERRAND MAY ALSO WANT
TO BE ABLE TO SHOW PROGRESS ON POLITICAL AND DEFENCE COOPERATION,
POSSIBLE GEARED TO FRENCH IDEAS FOR REVITALISING THE MEU, BUT THIS
WOULD PRESUMABLY BE HANDLED OUTSIDE THE EUROPEAN COUNCIL. IN THE
ENLARGEMENT CONTEXT THE FRENCH WILL WANT ASSURANCES ON MEASURES
TO HELP SOUTH WEST FRANCE (NOTABLY WINE PLUS POSSIBLE MONEY
FROM THE INTEGRATED MEDITERRANEAN PROGRAMMES). THEY ARE PREPARED
TO ACCEPT THAT SOMETHING SPECIAL MUST BE DONE FOR CERTAIN SMALLER
MEMBER STATES, NOTABLY GREECE AND IRELAND, TO BRING THEM ON BOARD
FOR THE REST OF THE BARGAIN AS THE FRENCH CONCEIVE IT.

4. THE FRENCH GOVERNMENT SEEM ALREADY TO HAVE SQUEEZED FROM THE
GERMANS AN OFFER ON MCAS WHICH WILL BE EXPENSIVE FOR GERMANY. THEY
REMAIN FIRMLY OPPOSED TO ANY KIND OF REAL BUDGETARY RELIEF FOR
GERMANY. THE COROLLARY SEEMS TO BE THAT FRANCE AND GERMANY WILL
TOGETHER ENSURE THAT THE UK BUDGET REBATE IS KEPT TO A MINIMAL
LEVEL - NO DOUBT WITH A TARGET FIGURE OF 750 MECU. IT IS NOT CLEAR
WHERE THEIR BOTTOM LINE LIES OR HOW FAR THEY HAVE GOT OTHER
GOVERNMENTS COMMITTED TO IT.

5. IF THIS ASSESSMENT IS CORRECT MITTERRAND WILL PROBABLY NOT WANT
TO TALK ABOUT FIGURES FOR THE REFUND UNTIL HE CAN FACE US WITH THE
WEIGHT OF THE COMMUNITY PACK BEHIND HIM AND WITH THE BUDGET AS THE
LAST REMAINING OBSTACLE TO AGREEMENT. IT SEEMS DESIRABLE THAT
HE SHOULD NOW BE GIVEN A FAIRLY CLEAR IDEA OF WHERE HE HAS TO SET
HIS SIGHTS IF AGREEMENT IS IN FACT TO PROVE POSSIBLE.

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