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GRS 790
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DESKBY FCO 150700Z

FRAME ECONOMIC
FM BONN 141550Z JUN 84
TO IMMEDIATE FCO

TELEGRAM NUMBER 585 OF 14 JUNE
INFO IMMEDIATE UKREP BRUSSELS, PARIS, ATHENS, EMBASSY BRUSSELS,
COPENHAGEN, DUBLIN, LUXEMBOURG, ROME, THE HAGUE

YOUR TELNO 218 TO ATHENS: PAPER ON THE FUTURE OF EUROPE

1. I CALLED ON TELTSCHIK (THE CHANCELLOR'S DIPLOMATIC ADVISER) THIS MORNING AND WENT THROUGH OUR PAPER WITH HIM.
2. TELTSCHIK HAD EVIDENTLY READ THE PAPER WITH CARE. HE TOLD ME THAT THE SUMMARY HAD BEEN PREPARED AND SUBMITTED TO THE CHANCELLOR BUT DID NOT THINK THE CHANCELLOR HAD YET READ IT BECAUSE OF HIS PREOCCUPATION WITH THE ELECTION CAMPAIGN FOR THE EUROPEAN PARLIAMENT.
3. TELTSCHIK SAID THAT THE GERMAN GOVERNMENT WELCOMED GREATLY THE FACT THAT HMG HAD PREPARED SUCH A PAPER. THAT IT HAD BEEN HANDED OVER BY THE HEAD OF GOVERNMENT WAS OF SIGNIFICANCE. THE PAPER PROVED THAT THE BRITISH GOVERNMENT WERE CONCERNED WITH THE FURTHER DEVELOPMENT OF THE COMMUNITY. THAT WAS ENCOURAGING. IF PROGRESS COULD BE MADE TOWARDS SOLVING THE PROBLEM OF BUDGETARY IMBALANCES BEFORE FONTAINEBLEAU IT OUGHT TO BE POSSIBLE TO HAVE A GOOD DISCUSSION ABOUT FUTURE DEVELOPMENTS IN THE COMMUNITY BUT HE DOUBTED THAT THE COUNCIL WOULD BE ABLE TO GO FURTHER THAN TO TAKE PROCEDURAL DECISIONS, E.G. THAT A STUDY GROUP SHOULD BE FORMED TO EXAMINE SOME OF THE QUESTIONS ARISING FROM THE NEED TO DEVELOP THE COMMUNITY FURTHER.
4. ON THE PAPER ITSELF, TELTSCHIK SAID THAT ITS APPROACH WAS HIGHLY PRAGMATIC, BUT HE ACKNOWLEDGED THAT THERE WAS NO OTHER WAY TO BUILD UP THE COMMUNITY. THE GERMANS UNDERSTOOD AS WELL AS EVERYONE ELSE THAT THE UNITED STATES OF EUROPE COULD NOT BE PUT IN PLACE TOMORROW. WHAT THEY ATTACHED IMPORTANCE TO WAS THAT THE MOMENTUM TOWARDS EVENTUAL UNION SHOULD BE MAINTAINED. TELTSCHIK SAID THAT

TOMORROW. WHAT THEY ATTACHED IMPORTANCE TO WAS THAT THE MOMENTUM TOWARDS EVENTUAL UNION SHOULD BE MAINTAINED. TELTSCHIK SAID THAT HE NOTED WITH SATISFACTION THAT IN NUMEROUS AREAS OUR PAPER APPROVED SENSIBLY FOR STRENGTHENING THE EUROPEAN ENTITY. THIS WAS PARTICULARLY SO IN THE FIELDS OF FOREIGN POLICY AND DEFENCE. THIS ALL WENT VERY MUCH IN THE RIGHT DIRECTION.

5. TELTSCHIK SAID THAT OUR IDEAS ON A MORE FLEXIBLE COMMUNITY CORRESPONDED TO THOSE OF THE GERMANS WHO, LIKE US, ALSO ATTACHED THE FIRST IMPORTANCE TO THE ACHIEVEMENT OF A REAL INTERNAL MARKET. ACTION ON STANDARDS AND CUSTOMS ARRANGEMENTS AND TO ENABLE EUROPEAN FIRMS TO COLLABORATE TOGETHER WERE ALL URGENT AND NECESSARY.

6. AS REGARDS WEU, TELTSCHIK SAID THAT HE PERSONALLY WAS RATHER HESITANT. HE DID NOT THINK THE MATTER HAD BEEN PROPERLY THOUGHT THROUGH EITHER BY THE AUSWAERTIGES AMT OR BY THE FRENCH. CHANCELLOR KOHL HAD NEVER DISCUSSED THE QUESTION WITH MITTERRAND. WEU MIGHT STRENGTHEN THE EUROPEAN PILLAR OF THE ATLANTIC COMMUNITY, BUT HOW IT COULD DO SO WAS BY NOT YET EVIDENT.

7. IN ANSWER TO MY QUESTION, TELTSCHIK SAID THAT HE THOUGHT THE WEAKEST PART OF THE PAPER WAS THAT DEALING WITH THE EUROPEAN PARLIAMENT. IT SEEMED TO THE GERMANS THAT IT WAS NOT POSSIBLE TO DENY INDEFINITELY MORE POWER TO A DIRECTLY ELECTED ASSEMBLY. BUT HE ACKNOWLEDGED THAT WE WERE BY NO MEANS THE ONLY MEMBER OF THE COMMUNITY WHO DID NOT REGARD THE CEDING OF GREATER POWERS TO THE PARLIAMENT AS AN URGENT PRIORITY. HE ALSO, PREDICTABLY, SAID THAT IN RELATION TO THE POLITICAL DEVELOPMENT OF EUROPE THE PAPER DID NOT GO AS FAR AS THE GERMANS WOULD WANT. BUT THE GERMANS WERE PROBABLY AHEAD OF THE REST OF THE MEMBERSHIP IN THIS AREA TOO. HE SAID THAT THE GERMANS HAD HAD NO CONCRETE IDEAS FROM PRESIDENT MITTERRAND ABOUT HOW EUROPEAN UNION COULD BE PURSUED. HE ALSO THOUGHT OUR SUGGESTION THAT THE PRESIDENCY SHOULD START WITH A "SPEECH FROM THE THRONE" VERY GOOD AND WAS INTERESTED IN THE MOTION THAT BLOCKED DOSSIERS SHOULD BE WEEDED OUT. THE SUGGESTION FOR STRENGTHENING THE PRESIDENCY AND PROVIDING CONTINUITY BETWEEN PRESIDENCIES WAS ONE HE ALSO WARMLY WELCOMED. HOWEVER, AS WAS TO BE EXPECTED, HE REPEATED GERMAN OPPOSITION TO THE IDEA REDUCING THE NUMBER OF COMMISSIONERS. THE GERMANS TOOK THE ARGUMENT ABOUT ATTRACTING BETTER PEOPLE BUT THEIR CONCERN WAS THAT IN A COMMUNITY OF 12, FIVE OF THE COMMISSIONERS WOULD BE REPRESENTING MEDITERRANEAN INTERESTS THAT COULD GIVE THE NORTHERN COUNTRIES, PARTICULARLY THOSE PAYING THE BILLS, CONSIDERABLE DIFFICULTY. HE ADDED THAT WHEN OWN RESOURCES WERE INCREASED AND IDEAS SUCH AS THOSE IN OUR PAPER WERE BEING IMPLEMENTED, THE JOBS OF THE COMMISSIONERS WOULD INEVITABLY GROW AND THE MEMBER GOVERNMENTS WOULD HAVE AN INCREASING INTEREST IN MAKING THAT THE COMMISSIONERS REPRESENTING THEM WERE UP TO THE JOB.

COMMENT

THIS INITIAL RESPONSE, FROM A KEY SENIOR OFFICIAL, IS ENCOURAGING
I WOULD EXPECT OTHER SENIOR OFFICIALS IN THE GERMAN ADMINISTRATION
MORE CONVERSANT WITH THE NITTY GRITTY OF THE COMMUNITY TO RESPOND
EVEN MORE ENTHUSIASTICALLY. SEE MY TELNO 587 FOR AN EXAMPLE. WE
MUST NOW HOPE THAT OUR MESSAGE ON THE FUTURE OF EUROPE GETS
THROUGH TO KOHL IN TIME FOR FONTAINEBLEAU.

9. SEE MY TWO IMMEDIATELY FOLLOWING TELEGRAMS.

FCO PLEASE ADVANCE TO:
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TAYLOR

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MAFF
MR ANDREWS
MR ATTWOOD

copy
Might be worth checking that the 10 have actually had these.

12/8

GRS 750
CONFIDENTIAL
DESKBY FCO 150730Z

IMMEDIATE

FRAME ECONOMIC
FM BONN 141730Z JUN 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 587 OF 14 JUNE
INFO IMMEDIATE UKREP BRUSSELS, ATHENS, EMBASSY BRUSSELS, DUBLIN, COPENHAGEN, LUXEMBOURG, PARIS, ROME, THE HAGUE

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SEE MY TWO IMMEDIATELY PRECEDING TELEGRAMS
THE RUN-UP TO FONTAINEBLEAU: BUDGETARY IMBALANCES

1. IN DISCUSSION TODAY WITH MINISTER (ECONOMIC) GRIMM (KANZLERAMT) SAID THAT HE COULD NOT DECIDE WHAT TO EXPECT OF THE FRENCH PRESIDENCY AT FONTAINEBLEAU ON THE PROBLEM OF BUDGETARY IMBALANCES. THERE HAD BEEN MUCH CONTACT WITH THE FRENCH AT OFFICIAL LEVEL IN RECENT WEEKS, BUT NO CLEAR OR ACCEPTABLE IDEAS EMERGING FROM PARIS. THE GERMANS HAD HEARD OF ONE FRENCH PROPOSAL, (WHICH MIGHT HAVE BEEN FLOATED WITH THE BRITISH) WHICH WAS UNACCEPTABLE TO BONN. HE SIMPLY COULD NOT JUDGE WHAT THE FRENCH ARE AIMING FOR, UNLESS IT IS AN ARRANGEMENT WITHOUT ANY CLEAR SYSTEM WHERE THE GERMANS WOULD FOOT THE BILL. THE FRENCH APPEARED TO BE REGRETTING THEIR WILLINGNESS IN MARCH TO AGREE A SYSTEM AND WERE PERHAPS WORKING FOR ARRANGEMENTS SO COMPLEX THAT ANY SYSTEM WOULD BE LOST TO SIGHT. HOWEVER THE GERMANS WERE NOT PREPARED TO PAY UP WITHOUT LIMIT, AND INDEED COULD NOT SELL ANY SUCH SOLUTION TO A GERMAN PUBLIC OPINION WHICH WAS ALREADY CRITICAL OF THE COST OF THE MEASURES SO FAR AGREED.

2. GRIMM SAID THE CHANCELLOR WANTED A SETTLEMENT AT FONTAINEBLEAU WHICH WOULD BE FAIR TO GERMANY AND TO THE UK AND WHICH COULD BE JUSTIFIED TO THE GERMAN ELECTORATE. GRIMM WAS NOW INTENT ON FOCUSING THE CHANCELLOR'S MIND ON POSSIBLE SOLUTIONS BASED ON THE SYSTEM OUTLINED IN MARCH, OR A SIMPLIFIED VERSION OF IT. WORK WAS GOING ON IN BONN WHICH WOULD COVER ANYTHING FROM A SYSTEM FOR IMMEDIATE IMPLEMENTATION TO ONE WITH A TWO-YEAR RUN IN PERIOD AND A FULL SYSTEM STARTING IN 1986. FIGURES BASED ON DIFFERENT THRESHOLDS AND COEFFICIENTS WERE BEING WORKED OUT AND DISCUSSION BASED ON THESE RESULTS WOULD START TOMORROW. IF THERE WAS TIME,

THRESHOLDS AND COEFFICIENTS WERE BEING WORKED OUT AND DISCUSSION BASED ON THESE RESULTS WOULD START TOMORROW. IF THERE WAS TIME, AND THE CHANCELLOR AGREED, THE GERMANS WOULD THEN DISCUSS THEIR IDEAS WITH THE FRENCH. IF THEIR REACTION WAS NOT TOO DISCOURAGING THEY WOULD THEN TALK TO THE BRITISH. BUT THERE WAS NO QUESTION OF PRESSING A GERMAN PROPOSAL BEFORE FONTAINEBLEAU. THE CHANCELLOR SIMPLY NEEDED TO BE PREPARED WITH A REALISTIC PROPOSITION IN HIS POCKET FOR USE IN CASE THE PRESIDENCY PUT FORWARD A "MUDDLED AND UNACCEPTABLE" PROPOSAL. GRIMM OBSERVED THAT THE PRESIDENCY AND THE COMMISSION HAD THE RESPONSIBILITY FOR PROPOSING A SOLUTION. IT WAS NOT FOR THE GERMANS TO DO THEIR WORK AND "VOLUNTEER TO PAY MORE". THEY WOULD ONLY INTERVENE IF OTHERS FAILED TO PLAY THEIR PART, OR WERE MAKING PROPOSALS UNACCEPTABLE TO BONN.

3. AT THE START OF THIS DISCUSSION MINISTER (ECONOMIC) HAD REITERATED HMG'S WISH TO SEE A SETTLEMENT ON FONTAINEBLEAU AND READINESS TO MOVE WITHIN REASONABLE LIMITS IN ORDER TO ACHIEVE AGREEMENT. GRIMM SHOWED THAT HE FULLY UNDERSTOOD THE BRITISH POSITION, AND AT NO STAGE ATTEMPTED TO SUGGEST THAT A SETTLEMENT AT FONTAINEBLEAU MIGHT BE JEOPARDISED BY BRITISH INFLEXIBILITY. HE IMPLIED THAT ANY POSSIBLE GERMAN PROPOSAL WOULD MEET KNOWN BRITISH NEEDS. HIS ATTENTION WAS FOCUSED ON FEARS OF FRENCH TACTICS AT FONTAINEBLEAU AND THE NEED FOR THE CHANCELLOR TO HAVE A DEFENSIVE ALTERNATIVE WHICH HE COULD USE.

4. GRIMM POINTED OUT THAT THIS PROGRAMME WILL BE DIFFICULT TO ACHIEVE IN THE TIME NOW AVAILABLE. WORK ON THE GERMAN PROPOSALS IS NOT YET COMPLETE. HE MUST BE IN BERLIN ON 19 AND 20 JUNE AND THEN ACCOMPANIES THE CHANCELLOR TO HUNGARY FROM 21-23 JUNE.

5. GRIMM IS NORMALLY VERY RESERVED ABOUT WHAT HE SEES AS AN OBSSIVE PREOCCUPATION WITH THE PARIS/BONN ACCESS IN SOME QUARTERS AND SCEPTICAL ABOUT ITS SERVICE TO LONGER TERM GERMAN INTERESTS. HIS CRITICAL TONE WHEN DISCUSSING FRENCH OBJECTIVES WAS NOT THEREFORE SURPRISING. WHAT WAS NEW THROUGHOUT THE CONVERSATION WAS THAT GRIMM WAS MORE CONFIDENT AND ENGAGED THAN HE HAS BEEN FOR SEVERAL MONTHS. THE USUAL SAD REFERENCES TO THE INACCESSIBILITY OF THE CHANCELLOR WERE ABSENT. HE RADIATED SATISFACTION THAT HE, GRIMM, HAD GOT GERMAN THINKING "ON THE MOVE" ON THE BUDGET QUESTION AND CLEARLY EXPECTS TO HAVE DIRECT INFLUENCE ON THE CHANCELLOR'S THINKING.

6. THE ABSENCE OF ANY CRITICAL COMMENT ON THE BRITISH POSITION WAS PERHAPS HELPED BY GRIMM'S GENUINE ADMIRATION FOR THE PAPER ON EUROPE MRS THATCHER HANDED TO THE CHANCELLOR LAST WEEK. HE WAS WARM IN HIS PRAISE OF THE PAPER'S APPROACH, THE FIRST OF SUCH A KIND FROM ANY HEAD OF GOVERNMENT. HE COMMENTED THAT IT HAS REAL SUBSTANCE "NOT JUST FANCY WRAPPING: ALL WE HAVE HAD SO FAR FROM PRESIDENT MITTERRAND IS FANCY WRAPPING".

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