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FM BONN 261920Z MAR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 276 OF 26 MARCH

INFO IMMEDIATE UKREP BRUSSELS

INFO PRIORITY LISBON (FOR SECRETARY OF STATE'S PARTY), PARIS,
ROME, THE HAGUE ,BRUSSELS

YOUR TELS NO 139 AND 140: EUROPEAN COUNCIL

1. I CALLED THIS EVENING ON TELTSCHIK (FEDERAL CHANCELLERY) TO TAKE ACTION ON YOUR TEL NO 139 AND LEAVE A COPY OF THE TEXT IN YOUR TEL 140. HARTMANN (CHANCELLERY) WAS ALSO PRESENT.

IMPS

2. TELTSCHIK SAID THE GERMANS AGREED THAT PAPANDREOU'S DEMANDS WERE THE MOST SERIOUS PROBLEM CONFRONTING THE EUROPEAN COUNCIL. HE LOOKED FORWARD TO HEARING FURTHER DETAILS OF OUR POSITION ON IMPS. KOHL STILL STOOD BY HIS POSITION AT THE DUBLIN COUNCIL: A "WINDOW" FOR GREECE SHOULD BE MADE IN THE EXISTING STRUCTURAL FUNDS, AND ITALY AND FRANCE SHOULD BE PERSUADED TO RENOUNCE THEIR CLAIMS. MITTERAND HAD MADE NO DEMANDS FOR A FRENCH SHARE OF IMPS WHEN KOHL HAD SEEN HIM YESTERDAY. THE ITALIANS WERE CAUGHT BETWEEN SCYLLA AND CHARYBDIS: TELTSCHIK HOPED THAT THEIR WISH FOR SUCCESS AS THE PRESIDENCY WOULD OUTWEIGH THEIR WISH FOR NATIONAL ADVANTAGE. HARTMANN ADDED THAT THE THREE CRUCIAL POINTS FOR THE GERMANS REMAINED:

- (A) THE ADDITIONAL FINANCES IN THE LATEST COMMISSION PROPOSAL WERE TOO HIGH:
- (B) THE INTEREST RATE SUBSIDIES WERE REPUGNANT:
- (C) THERE SHOULD BE NO ATTEMPT TO CREATE A FOURTH STRUCTURAL FUND.

3. ON TACTICS FOR DEALING WITH PAPANDREOU, TELTSCHIK SAID THAT KOHL AND MITTERAND HAD AGREED THAT THEY MUST NOT BE BLACKMAILED. THEY WERE REFLECTING ON HOW TO BRING HOME TO PAPANDREOU THE NEGATIVE CONSEQUENCES OF A FURTHER GREEK VETO ON ENLARGEMENT, E.G. BY SUSPENDING SOME OF THE CURRENT BENEFITS OR PROJECTS WHICH GREECE DERIVES FROM COMMUNITY MEMBERSHIP. AS YET THE GERMANS DID NOT HAVE ANY CONCRETE IDEAS ON WHAT THIS MIGHT ENTAIL.

4. IN CONTRADICTION TO RUHFUS (MY TELNO 274), TELTSCHIK SAID THAT THE GERMANS WERE UNHAPPY WITH CRAXI'S THREAT TO CANCEL THE EUROPEAN COUNCIL IF THE ENLARGEMENT PACKAGE HAD NOT BEEN AGREED BY FOREIGN MINISTERS ON 28 MARCH. IF THE ONLY OUTSTANDING POINT WAS THE GREEK VETO, THE GERMANS BELIEVED THAT CRAXI SHOULD BE PERSUADED TO PROCEED, SO THAT PAPANDREOU COULD BE CONFRONTED IN BRUSSELS WITH THE UNITED FRONT OF THE NINE OTHER MEMBER STATES. I SAID THAT THIS WAS ALSO THE BRITISH VIEW. TELTSCHIK PROPOSED THAT IT WOULD BE HELPFUL IF YOU AND GENSCHER SPOKE TO ANDREOTTI IN THIS SENSE AT THE FAC.

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5. TELTSCHIK TOOK NOTE OF THE PRIME MINISTER'S INTENTIONS FOR HER PAPER, AND OF OUR CONCERN THAT IT SHOULD BE HANDLED IN STRICT CONFIDENCE. HE REMARKED, HALF-JOKINGLY, THAT IT MIGHT TAKE THE WIND OUT OF THE SAILS OF THE ECONOMIC SUMMIT.

MEETING BETWEEN KOHL AND MITTERAND : 25 MARCH

6. TELTSCHIK SAID THAT MITTERAND HAD EMPHASISED THAT ENLARGEMENT WOULD NOT FAIL BECAUSE OF FRANCE. HE WAS PREPARED TO COMPROMISE ON WINE AND FISH PROVIDED THE SPANIARDS DID SO TOO. DUMAS WOULD BE IN TOUCH WITH MORAN TODAY. A MORE DIFFICULT QUESTION WAS THE TRANSITIONAL FINANCIAL ARRANGEMENTS FOR PORTUGAL. BOTH FRANCE AND GERMANY WERE PREPARED TO BE MORE GENEROUS TO PORTUGAL. IT WAS NOT YET CLEAR HOW MUCH BRITAIN WAS PREPARED TO CONTRIBUTE TO A SOLUTION.

7. KOHL AND MITTERAND HAD ALSO DISCUSSED THE DOOGE REPORT. THEIR ATTITUDE TO AN INTERGOVERNMENTAL CONFERENCE WAS RESERVED. THEY HAD BOTH AGREED THAT THEY WOULD ONLY BE PREPARED TO COMMIT THEMSELVES TO SUCH A CONFERENCE IF IT BECAME CLEAR THAT SOMETHING CONCRETE WOULD RESULT FROM IT. KOHL WOULD HAVE FURTHER BILATERAL MEETINGS WITH MITTERAND BEFORE THE MILAN EUROPEAN COUNCIL, ROUND ABOUT THE TIME OF HIS MEETING WITH THE PRIME MINISTER AT CHEQUERS ON 18 MAY.

8. GORBACHEV HAD BEEN DISCUSSED BRIEFLY IN PARIS. KOHL AND MITTERAND HAD AGREED THAT ROMANOV'S REMARKS IN HUNGARY WERE DISCOURAGING.

FCO PLEASE ADVANCE TO:
FCO RENWICK, FAIRWEATHER, SHEPHERD
CABINET OFFICE WILLIAMSON, JAY
TREASURY UNWIN, FITCHEW

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