

CONFIDENTIAL
FM FCO
TO IMMEDIATE PARIS
TELNO 508
OF 171530Z SEPTEMBER 87
AND TO IMMEDIATE UKREP BRUSSELS, UKDEL STRASBOURG, EC POSTS
AND TO IMMEDIATE WASHINGTON, TOKYO

*This is an example of
glissing over differences. The
summary suggests sweetness
e light. The detail shows
we are far apart
on most of the issues.*

FRAME GENERAL
MRS CHALKER'S VISIT TO PARIS: 16 SEPTEMBER
EC DISCUSSIONS
SUMMARY

1. CLEAR FRENCH WISH TO WORK WITH UK FOR AGREEMENT AT COPENHAGEN. FRENCH ACCEPT STABILISERS PROVIDED THEY ARE FOR ALL COMMODITIES. THEY WANT PROVISION FOR EXCEPTIONS TO THE AGRICULTURAL GUIDELINE BUT LIMITED TO MONETARY FLUCTUATIONS. THEIR IDEAS ON CONTROLLING THE GROWTH OF THE STRUCTURAL FUNDS ARE SIMILAR TO OUR OWN. THEY ENVISAGE AN EVENTUAL CEILING OF BETWEEN 1.1 AND 1.3 PERCENT OF GNP AND ACCEPT BOTH THE GNP BASE AND THE FOURTH RESOURCE. LIKE THE GERMANS, THEY APPEAR TO ENVISAGE THE NEW SYSTEM AS A MEANS OF LINKING BUDGET CONTRIBUTIONS TO RELATIVE PROSPERITY. THEY WANT TO SEE THE UK ABATEMENT FIGURE REDUCED THOUGH THEY IMPLIED THAT THE APPEARANCE OF A REDUCTION MIGHT BE MORE IMPORTANT THAN THE REALITY.

2. BOSSON SAID THAT, AFTER A LENGTHY DEBATE, THE FRENCH GOVERNMENT WAS NOW FULLY COMMITTED TO TAX APPROXIMATION AS AN ESSENTIAL INGREDIENT OF THE INTERNAL MARKET.

DETAIL

3. MRS CHALKER PAID A 24 HOUR WORKING VISIT TO PARIS ON 16/17 SEPTEMBER. THE CENTREPIECE WERE THE TALKS WITH THE NEW FRENCH MINISTER FOR EUROPE, BOSSON. IN ADDITION MRS CHALKER CALLED ON THE MINISTER FOR EXTERNAL TRADE AND THE SECRETARY GENERAL OF THE OECD, AND VISITED THE BRITISH COUNCIL.

4. THE FOLLOWING ISSUES WERE DISCUSSED WITH BOSSON:

1) FUTURE FINANCING.

BOSSON SAID THE FRENCH WANTED TO REACH AN UNDERSTANDING WITH THE UK AS A PRELUDE TO A GENERAL AGREEMENT AT COPENHAGEN. THE FRENCH ACCEPTED THE COMMISSION'S PROPOSAL FOR GNP MEASUREMENT OF OWN RESOURCES AND THE FOURTH RESOURCE. THEY THOUGHT THE 1992 CEILING WOULD NEED TO BE BETWEEN 1.1 AND 1.3% OF GNP WITHOUT CEILINGS IN THE PREVIOUS YEAR. THE LATTER WERE NECESSARY TO CONTROL THE GROWN OF NON OBLIGATORY SPENDING. INSTEAD OF THE

agrees 1.6/1.8 VAT

PRESENT ABATEMENT THE FRENCH WANTED AN OWN RESOURCES SYSTEM IN WHICH EVERYONE PAID THEIR FAIR CONTRIBUTION. THE COMMISSION'S PROPOSALS WOULD REDUCE THE UK'S NET CONTRIBUTION. BOSSON RECOGNISED THAT THE SIZE OF THE CHEQUE WAS IMPORTANT TO THE UK BUT IT WAS ALSO IMPORTANT THAT THE ABATEMENT SHOULD APPEAR TO BE ON A DECLINING TREND.

5. MRS CHALKER EXPLAINED OUR RESERVATIONS ABOUT SUB-CEILINGS. THE CEILING COULD TOO EASILY BECOME A FLOOR. SHE ALSO EXPLAINED HOW THE COMMISSION PROPOSALS FOR THE UK ABATEMENT WOULD LEAVE US WORSE OFF THAN UNDER FONTAINBLEAU. THIS WAS UNACCEPTABLE. WE COULD LOOK AT HOW THE CAKE WAS CUT, BUT THE RESULT MUST BE AT LEAST AS GOOD FOR THE UK AS FONTAINEBLEAU.

6. BOSSON SAID THE FRENCH COULD ACCEPT STABILISERS PROVIDED THEY WERE FOR ALL COMMODITIES AND WITH PROVISION FOR EXCEPTIONS TO THE GUIDELINES FOR MONETARY FACTORS. THE FRENCH AGREED UNDER QUESTIONING FROM MRS CHALKER, THAT THE COMMISSION'S PROPOSAL ON EXCEPTIONAL CIRCUMSTANCES COULD BE TIGHTENED UP. BOSSON REPEATED THE FRENCH VIEW THAT THE GUIDELINE MUST BE REBASED TO REFLECT THE ACTUAL LEVEL OF EXPENDITURE IN 1987.

7. BOSSON REITERATED FRANCE'S WISH TO CONSTRAIN THE GROWTH OF THE STRUCTURAL FUNDS WHILE DOING SOMETHING TO HELP SPAIN AND PORTUGAL. HIS OFFICIALS SAID THE AIM WAS TO KEEP OVERALL GROWTH WITHIN THE MAXIMUM RATE BUT THERE WOULD BE LITTLE HOPE OF SUSTAINING THAT POSITION RIGHT THROUGH TO THE END OF THE NEGOTIATIONS. IT WAS AGREED THERE SHOULD BE FURTHER, DETAILED DISCUSSIONS BETWEEN OFFICIALS ON ALL THE FUTURE FINANCING ISSUES.

(II) 1988 BUDGET

8. AS ALREADY REPORTED (TELCON JAY/BOSTOCK, UKREP) BOSSON SAID THE FRENCH ACCEPTED THAT THE BUDGET COULD NOT BE ESTABLISHED ABOVE 1.4 PERCENT. THE FRENCH PROPOSED THAT THE BUDGET SHOULD BE SENT TO THE EUROPEAN PARLIAMENT ON THAT BASIS BUT WITH AN ACCOMPANYING STATEMENT OF EXPENDITURE WHICH THIS COMMUNITY WOULD HAVE TO MEET IN 1988. THIS STATEMENT WOULD REPRESENT THE 'GAP' TO BE FILLED AFTER DECISIONS WERE TAKEN AT COPENHAGEN. ON THE BASIS OF 1.6 PERCENT AT REVENUE FROM AN OILS AND FATS TAX, AND TAKE INTO ACCOUNT BUDGET DISCIPLINE. WITHOUT SUCH A GESTURE THERE WOULD BE A MAJOR ROW BETWEEN THE COUNCIL AND THE PARLIAMENT. MRS CHALKER SAID THAT SHE COULD NOT COMMENT IN DETAIL WITHOUT SEEING THE FRENCH TEXT BUT THERE COULD BE NO QUESTION OF ESTABLISHING A BUDGET AT OVER 1.4 PERCENT AND NO QUESTION OF PREJUDGING THE DECISIONS TO BE TAKEN AT COPENHAGEN. THE EC ALREADY GENERATED MORE HEAT THAN LIGHT AND WE SHOULD NOT BE SWAYED BY ITS EXCITEMENT.

(III) TAX APPROXIMATION

7. BOSSON SAID THAT THERE HAD BEEN A MAJOR DISCUSSION WITHIN THE FRENCH GOVERNMENT ABOUT WHETHER TO ACCEPT APPROXIMATION OF VAT RATES. THE FINANCE MINISTRY WAS LUKEWARM BUT, FOLLOWING A WHOLE RANGE OF STUDIES INVOLVING FRENCH INDUSTRY, THE CONSENSUS WAS THAT THE INTERNAL MARKET AND EQUALITY OF COMPETITION WITHIN IT REQUIRED APPROXIMATION OF VAT RATES. HE ACKNOWLEDGED THAT EXCISE DUTIES WERE EVEN MORE DIFFICULT BUT THEY COULD NOT BE EXCLUDED BECAUSE THEY WERE ESSENTIAL TO PRODUCING AN EQUITABLE OUTCOME. THE FRENCH WERE PREPARED TO REDUCE THEIR LUXURY VAT RATE AND WERE TAKING STEPS (EG TAKING TOBACCO OUT OF THE INDEX WHICH DETERMINED MINIMUM WAGE AND PENSION LEVELS) WHICH WOULD MAKE IT EASIER FOR THEM TO ACCEPT THE POLITICAL PAIN OF RAISING EXCISE DUTIES.

(IV) FRONTIER CONTROLS

10. M. BOSSON MADE A PLEA FOR VISA HARMONISATION AS THE MOST EFFECTIVE MEANS OF CURBING ILLEGAL IMMIGRATION. / MRS CHALKER POINTED OUT THE POLITICAL AND PRACTICAL PROBLEMS POSED BY THE FRENCH LIST OF COUNTRIES WHICH WOULD BE MADE SUBJECT TO A VISA REQUIREMENT. BOSSON SAID THAT IT WOULD BE MUCH EASIER POLITICALLY IF THE RESPONSIBILITY FOR IMPOSING VISA REGIMES WERE SPREAD ACROSS ALL MEMBER STATES.

(V) FRENCH CULTURAL PROPOSALS

11. BOSSON SAID THE FRENCH BLUE BOOK PROPOSALS WERE DESIGNED TO BE MODEST AND COST FREE. THEY SHOULD BE AGREED AMONG THE TWELVE (OR SOME OF THEM) AND NOT AS A COMMUNITY MEASURE. HE HOPED THERE COULD BE MINISTERIAL DISCUSSIONS TO WHICH THE COMMISSION WOULD BE INVITED. BUT THE COMMISSION WOULD NOT BE ALLOWED TO CALL THE SHOTS. INDEED, ONE PURPOSE OF THE PROPOSALS WAS TO HEAD OFF UNDESIRABLE COMMISSION INITIATIVES.

(VI) GIBRALTAR/AIR TRANSPORT

12. BOSSON WAS UNAWARE OF THE NEW FRENCH IDEA OF A POLITICAL COMMITMENT BY MEMBER STATES TO IMPLEMENTING THE AIR TRANSPORT PACKAGE IN ADVANCE OF ITS FORMAL ADOPTION. MRS CHALKER SAID IT WAS IMPORTANT TO DO NOTHING WHICH TOOK THE PRESSURE OFF SPAIN TO AGREE THE PACKAGE, WHICH WE EXPECTED TO SEE VOTED THROUGH THIS YEAR. WE WERE MEANWHILE WORKING HARD TO RESOLVE BILATERAL DIFFERENCES OVER GIBRALTAR. BOSSON SAID HE WOULD ENSURE THE FRENCH DID NOT ROCK THE BOAT GIVEN THE UK'S CURRENT NEGOTIATIONS WITH SPAIN. WE MADE IT CLEAR TO FRENCH OFFICIALS THAT IT WOULD BE QUITE UNACCEPTABLE IF SPAIN WERE TO AGREE TO ACT IN THE SPIRIT

OF THE PACKAGE ON CONDITION THAT GIBRALTAR WAS EXCLUDED FROM ITS APPLICATION.

13. IN HER MEETING WITH NOIR (MINISTER FOR EXTERNAL TRADE) MRS CHALKER SAID THAT IT WAS IMPORTANT NOT TO TALK OF THE COMPLETION OF THE INTERNAL MARKET - TO THE IMPORTANCE OF WHICH THE AMERICANS WERE NOW WAKING UP - IN TERMS WHICH WOULD FUEL AMERICAN PROTECTIONIST SENTIMENTS. NOIR TOOK THE POINT, BUT STRESSED HIS OWN CONCERN (REFLECTED ALSO IN BOSSON'S PAPER FOR THE 7 SEPTEMBER INTERNAL MARKET COUNCIL) THAT IN COMPLETING THE INTERNAL MARKET THE COMMUNITY MUST AVOID PROVIDING AN UNCOVENANTED BONUS FOR THIRD COUNTRIES. HE SPOKE ELOQUENTLY OF JAPANESE INDUSTRIAL ESPIONAGE IN FRANCE. NOIR ALSO THOUGHT A MEETING BETWEEN DE CLERCQ AND BRITISH, FRENCH AND GERMAN MINISTERS WOULD BE USEFUL TO DISCUSS TRADE ISSUES AND THE HANDLING OF AIRBUS.

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FRAME GENERAL

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