

RESTRICTED
FM LUXEMBOURG
TO PRIORITY FCO
TELNO 427
OF 221030Z NOVEMBER 89
INFO PRIORITY PARIS, STRASBOURG, UKREP BRUSSELS
INFO ROUTINE EUROPEAN COMMUNITY POSTS, BERNE

PROPOSED EUROPEAN DEVELOPMENT BANK

SUMMARY

1. LUXEMBOURG SUGGESTS EIB OR COUNCIL OF EUROPE RECONSTRUCTION FUND AS ALTERNATIVE MECHANISMS FOR CHANNELLING MEDIUM-TERM AID.

DETAIL

2. THE LUXEMBOURG VIEW, AS GIVEN TO THE PRESS BY PRIME MINISTER SANTER ON RETURN FROM STRASBOURG, IS THAT BEFORE CREATING A NEW INSTITUTION IT WOULD BE BETTER TO CONSIDER THE EXISTING ONES.

3. THEIR FIRST THOUGHT SEEMS TO HAVE BEEN THE EIB. A SECOND IDEA, FLOATED WITH THE SWISS FOREIGN MINISTER WHEN HE WAS HERE EARLIER THIS WEEK, IS TO USE THE COUNCIL OF EUROPE'S EXISTING RECONSTRUCTION FUND (FONDS DE RETABLISSEMENT). THIS WOULD FIT IN WITH IDEAS THAT THE COUNCIL OF EUROPE SHOULD PLAY AN INCREASING ROLE IN THE NEW PATTERN OF EAST/WEST RELATIONS. THE SWISS REACTED POSITIVELY. THE LUXEMBOURGERS WILL NOW TRY THEIR LATEST IDEA ON PRESIDENT MITTERAND WHO IS PAYING A BRIEF VISIT HERE TODAY.

4. TALKING TO EC AMBASSADORS, THE POLITICAL DIRECTOR SAID THAT, APART FROM SPEED, USE OF AN EXISTING INSTITUTION WOULD AVOID AN ARGUMENT ABOUT THE SITE. COMMENT: LUXEMBOURG WOULD PROBABLY FEEL BOUND TO LAY CLAIM TO ANY NEW EUROPEAN FINANCIAL INSTITUTION.

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PAGE 2
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