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TO IMMEDIATE FCO
IMMEDIATE NO. TEN
RETRACT 05018 JULY 83

FOR NEWS DEPT, ATTN CLEMENTS. FROM HICKS BRUSSELS.

RECEIVED COI FOR ONPASSING TO FCO NEWS DEPT (ATTN CLEMENTS), NO TEN DOWNING STREET (ATTN KYDD) WITH 0930 HRS DESKBY. TUESDAY. TRANSCRIPT OF HOWE PRESS CONFERENCE IS BEING SENT BY BRUSSELS.

ITEM: UK FOREIGN MINISTER ON STUTTGART DEAL
BY GARY HICKS LPS CHIEF DIPLOMATIC CORRESPONDENT

BRUSSELS (LPS): BRITAIN HAS SUGGESTED THAT ANY ATTEMPT TO MODIFY THE STUTTGART AGREEMENT COMPENSATING HER FOR INEQUITABLE 1983 NET CONTRIBUTIONS TO THE EUROPEAN COMMUNITY BUDGET WILL ONLY DIVERT ATTENTION FROM THE REAL JOB OF LONG TERM REFORM OF EC FINANCING.

HEADS OF GOVERNMENT OF THE TEN-NATION COMMUNITY MEETING IN STUTTGART ON 19 JUNE AGREED ON A BRITISH REBATE OF 750 MILLION EUROPEAN CURRENCY UNITS (ECU) NET, EQUIVALENT TO 450 MILLION POUNDS STERLING NET. THEIR DECLARATION ANNOUNCING THIS STATED THAT CONSEQUENTIAL FIGURES WOULD THEREFORE BE INCORPORATED IN THE DRAFT COMMUNITY BUDGET FOR 1984, WHICH EC FINANCE MINISTERS ARE DUE TO CONSIDER HERE IN THEIR BUDGET COUNCIL ON WEDNESDAY AND THURSDAY (20,21 JULY).

TODAY (18 JULY) EC FOREIGN MINISTERS, MEETING HERE FOR THEIR REGULAR MONTHLY CONFERENCE, EXCHANGED VIEWS ON STUTTGART WHICH UNLIKE FINANCE MINISTERS, THEY HAD ATTENDED. BRITAIN'S FOREIGN AND COMMONWEALTH SECRETARY OF STATE, SIR GEOFFREY HOWE, TOOK THE OPPORTUNITY OF RECALLING WHAT THE TEN GOVERNMENTS HAD AGREED THERE AFTER MUCH HARD BARGAINING.

HE TOLD THE PRESS HERE TONIGHT: 'I REMINDED OUR PARTNERS OF THE POLITICAL IMPORTANCE OF IMPLEMENTING THE AGREEMENTS AS THEY STAND - THAT IS THE AGREEMENT OF 26 OCTOBER ON THE 1982 RISK SHARING PROVISION AND THE AGREEMENT AT STUTTGART ON THE 1983 REFUND.

'I WAS ANXIOUS TO EMPHASISE THAT WE OUGHT NOT TO DIVERT ENERGY FROM THE IMPORTANT SUBJECT OF LONG TERM REFORM TO WHICH WE WERE COMMITTED AT STUTTGART AND WHICH WE HOPE TO HAVE COMPLETED BY THE ATHENS (EUROPEAN COUNCIL) SUMMIT ON 6 DECEMBER. I WANTED TO ENSURE THOSE POLITICAL CONSIDERATIONS INFORMED THE DISCUSSION WHICH WILL BE TAKING PLACE AT THE BUDGET COUNCIL THIS WEEK.'

SIR GEOFFREY ADDED HE THOUGHT OPINION WAS NOW HARDENING IN FAVOUR OF BRITAIN'S VIEW THAT ITS REFUNDS SHOULD BE PAID 'ON THE LINE' RATHER THAN PUT INTO CHAPTER 100 OF THE EC BUDGET, A KIND OF HOLDING ACCOUNT.

MADRID CSCE CONFERENCE

THE FOREIGN SECRETARY ALSO REVEALED AT HIS NEWS CONFERENCE THAT HE HOPED TO ATTEND THE CONCLUDING SESSION OF THE REVIEW MEETING IN MADRID OF THE 35-NATION CONFERENCE ON SECURITY AND CO-OPERATION IN EUROPE (CSCE) SIGNED IN HELSINKI EIGHT YEARS AGO.

HE SAID THE REVIEW, NOW IN ITS THIRD YEAR, HAD REACHED PROVISIONAL CONCLUSIONS 'SUBJECT TO THE POSITION OF MALTA IN PARTICULAR. WE ARE HOPEFUL THE MATTER CAN PROCEED ON THAT BASIS.'

ASKED WHETHER HE HAD AGREED TO ATTEND THE CLOSING SESSION, SIR GEOFFREY REPLIED: 'I CANNOT, AS IT WERE, AGREE AT THIS STAGE BECAUSE I DO NOT KNOW WHAT THE DATE IS, BUT CERTAINLY I HOPE THAT I WILL BE ABLE TO BE THERE.'

'IN THE PHRASE FAMILIAR TO THE BRITISH CITIZEN 'SUBJECT TO CONTRACT AND SURVEY' I CANNOT TAKE A DATE BLIND WHEN I DO NOT KNOW WHAT IT IS. SUBJECT TO THAT, I HOPE TO BE THERE.'

POLAND

POLAND WAS ANOTHER ISSUE DISCUSSED TODAY. SIR GEOFFREY TOLD NEWSMEN: 'WE ARE OBVIOUSLY AWAITING DEVELOPMENTS. THERE HAVE BEEN SUGGESTIONS THAT SOME CHANGES ARE LIKELY TO TAKE PLACE THERE DURING THE COURSE OF THE NEXT WEEK OR SO. WE ARE ANXIOUS NOT TO COME TO ANY PREMATURE CONCLUSIONS ABOUT THIS. WE ARE VERY ANXIOUS THAT THERE SHOULD BE MOVEMENT TOWARD THE RESTORATION OF MORE NORMAL POLITICAL CONDITIONS THERE.'

HE ADDED: 'WE MAINTAIN, OF COURSE, OUR CONTINUED CONTACTS WITH THE PEOPLE OF POLAND AS FAR AS WE CAN. WE ARE OBVIOUSLY LOOKING FOR CONSTRUCTIVE AND POSITIVE CHANGES THERE.'

CENTRAL AMERICA

THE BRITISH MINISTER EXPLAINED THAT DISCUSSION ON CENTRAL AMERICA WAS VERY BRIEF: 'BECAUSE WE HAVE NOT YET SEEN THE FULL TEXT OF THE CONTADORA CONCLUSIONS. WE OBVIOUSLY WANT TO STUDY THEM. I THINK THE HELPFUL ROLE THAT CAN BE PLAYED BY THE CONTADORA GROUP IN CENTRAL AMERICA IS SOMETHING WHICH WE ALL RECOGNISE - AND WHICH WAS RECOGNISED IN THE STUTTGART DECLARATION AS WELL.'

SPECIAL STEEL

SIR GEOFFREY, WHILE STRESSING THAT THE EC IN NO WAY WANTED A 'TRADE WAR' WITH THE AMERICANS, EXPLAINED THAT THEY HAD BEEN LEFT IN NO DOUBT ABOUT REACTION TO THE NEW TARIFFS AND QUOTAS ON IMPORTS OF SPECIALITY STEEL FROM THE COMMUNITY ANNOUNCED BY PRESIDENT REAGAN ON FIVE JULY.

HE THOUGHT EC RESPONSE COULD COME IN THREE STEPS. FIRST, NEGOTIATION WITH THE US IN THE HOPE OF PERSUADING IT TO WITHDRAW THE MEASURES. THEN, IF THAT FAILED, AN ATTEMPT TO SECURE COMPENSATION THROUGH THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT). FINALLY, IF ALL ELSE FAILED, THE EC WOULD BE FORCED TO TAKE RETALIATORY STEPS, THOUGH HE STRESSED THE SITUATION WAS STILL FAR FROM REACHING THIS STAGE. (LPS)

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