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FM UKREP BRUSSELS
TO FLASH FCO
TELNO 322
OF 011954Z FEBRUARY 88

FOLLOWING FOR PRIME MINISTER FROM SECRETARY OF STATE

1. I PROMISED TO LET YOU HAVE, BEFORE YOU SEE KOHL, MY IMPRESSIONS OF THE FIRST DAY OF THE CONCLAVE. THE PICTURE IS CONFUSED, AND IT IS STILL TOO SOON TO JUDGE WHETHER THERE IS ANY REAL CHANCE OF THE GERMANS MAKING THE EFFORT TO GET AN AGREEMENT NEXT WEEK. BUT FOUR POINTS FROM TODAY'S DEVELOPMENTS HERE ARE PARTICULARLY RELEVANT TO YOUR MEETING TOMORROW.

2. FIRST, WHAT THE GERMANS TELL US OF THEIR INTENTIONS. GENSCHER ASKED TO SEE ME BEFORE THE START, AND CLAIMED THAT BOTH HE AND KOHL WANTED A POSITIVE RESULT, AND ACCEPTED THAT THIS WOULD HAVE TO INVOLVE SOME MOVE BY THE GERMANS BEYOND WHAT THEY COULD HAVE ACCEPTED AT COPENHAGEN. GENSCHER SAID THAT THE PRESIDENCY WAS NOT INTERESTED IN TRYING TO ISOLATE THE BRITISH, DUTCH OR ANYONE ELSE. WE SHALL SEE. HE HAS POSTPONED THE DISCUSSION OF STABILISERS UNTIL TOMORROW. HE CLAIMED THAT THIS WAS TO ENSURE THAT THE ATMOSPHERE FOR YOUR MEETING WAS NOT SOURED WITH PRESS TALK OF ANGLO-GERMAN BATTLES TODAY. I AM TO SEE HIM AGAIN LATER TONIGHT.

3. SECOND, THE DUTCH ASSESSMENT OF GERMAN INTENTIONS. VAN DEN BROEK HAS BEEN MILDLY ENCOURAGED TO HEAR PRIVATELY FROM ANDRIESSEN (WHO SAW KOHL THIS WEEKEND) THAT KOHL DOES NOT EXCLUDE ACCEPTING A CEREALS MGQ AT 158, RAISING THE LIMIT ON CEREALS PRICE CUTS ABOVE 2.5 PER CENT AND SUGGESTING A COMPROMISE CO-EFFICIENT ON OILSEEDS OF 0.45 PER CENT. KOHL APPARENTLY ALSO ACCEPTED THAT THE PACKAGE OF STABILISERS ON OTHER PRODUCTS SHOULD NOT BE RE-OPENED.

4. THIRD, FRG HANDLING OF THE ABATEMENT ISSUE. THE GERMANS SEEN ANXIOUS TO DEBUNK THE PRESS SPECULATION THAT THEIR STRATEGY IS TO SQUEEZE US ON AGRICULTURE BY BLACKMAIL ABOUT THE ABATEMENT. THEY DID NOTHING TO STOKES UP THE ABATEMENT ISSUE TODAY, AND INDEED WENT SO FAR AS TO ACKNOWLEDGE THAT IT WAS HELPFUL THAT WE WERE READY TO DEDUCT THE BENEFIT OF THE FOURTH RESOURCE.

5. FOURTH, THE OVERALL FRG PERFORMANCE TODAY. GENSCHER'S CHAIRMANSHIP HAS SO FAR BEEN REASONABLY IMPARTIAL AND CONSTRUCTIVE: NO ECHOES OF KIECHLE IN THE AGRICULTURE COUNCIL. THIS

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MAY OF COURSE CHANGE WHEN WE TACKLE STABILISERS TOMORROW.

6. ON THE SUBSTANCE, THE ONLY REALLY BAD NEWS IS THAT THE COMMISSION (CONCEIVABLY AT FRANCO-GERMAN SUGGESTION) HAVE AGAIN FLOATED THE IDEA OF GUIDELINE GROWTH AT 100 PER CENT OF GNP GROWTH, WITH NO SEPARATE PROVISION FOR STOCK DISPOSALS. THIS IS A SERIOUS STEP BACK FROM COPENHAGEN: AND THE IRISH, GREEKS AND DANES HAVE PREDICTABLY RALLIED TO IT, WITH THE FRENCH AND GERMANS. I AM WORKING TO KEEP SUPPORT FOR OUR (STOCK-EXCLUSIVE/60 PER CENT GROWTH) OPTION FIRM AND VOLUBLE: WE SHALL REVERT TO THE ISSUE TOMORROW IN THE CONTEXT OF STABILISERS.

7. GUIDELINE APART, THE DEBATE HAS CENTRED ON:

- A) THE MONETARY RESERVE:
- B) STRUCTURAL FUNDS:
- C) FOURTH RESOURCE:
- D) ABATEMENT.

ON (A) SOME PROGRESS HAS BEEN MADE, AND THE IDEA OF KILLING OFF NON-DOLLAR/ECU EXCEPTIONAL CIRCUMSTANCES WITH AN UNDAMAGING DECLARATORY STATEMENT ELSEWHERE IN THE TEXT IS UP AND RUNNING. OUR POSITION IS SUPPORTED BY THE ITALIANS, SPANISH AND PORTUGUESE, AS WELL AS THE DUTCH. ON (B), DELORS IS STILL ALL OVER THE SHOP, AND THE SOUTH HAVE NOT YET LOWERED THEIR SIGHTS BELOW DOUBLING, BUT SOME (EG THE SPANISH) ARE USEFULLY INCREASING PRESSURE ON THE GERMANS ON AGRICULTURE BY ASKING WHY THEY SHOULD DO SO, IF SOME NORTHERNERS ARE APPARENTLY READY TO LET CAP SPENDING RIP. ON (C), THE COMMISSION ARE TRYING COMPROMISES WHICH WOULD REDUCE ITALIAN PAIN. AND ON (D), THE ITALIANS ARE STILL BEING HELPFUL TO US, AND THE FRENCH - LIKE THE GERMANS - HAVE TODAY BEEN LESS UNHELPFUL THAN BEFORE.

8. FOR WHAT IT IS WORTH, FRENCH OFFICIALS MAINTAIN THAT CHIRAC'S LONDON PERFORMANCE LAST WEEK IS EASILY EXPLICABLE. AS A PRESIDENTIAL CANDIDATE, HE IS NOT WILLING TO BE SEEN TO SEEK STABILISERS TOUGHER THAN THE GERMANS WOULD ACCEPT. BUT EQUALLY HE WOULD NOT WANT TO BLOCK WHATEVER KOHL DECIDES HE CAN BUY. THE FRENCH CLAIM TO BELIEVE THAT HE HAS NOT TAKEN DECISIONS YET.

9. WE SHALL BE BETTER PLACED AFTER TOMORROW TO JUDGE WHETHER THE GERMANS REALLY WANT A DEAL NEXT WEEK. THERE IS A GOOD DEAL OF NATURAL SCEPTICISM HERE. BUT THE FACT THAT GENSCHER IS TRYING TO APPEAR CONSTRUCTIVE STRENGTHENS THE CASE FOR YOUR TOMORROW STRESSING TO KOHL THAT THE REMAINING GAPS ARE BRIDGEABLE, BUT THE ONUS IS ON HIM.

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