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FM LUXEMBOURG
TO IMMEDIATE FCO
TELNO 400
OF 301600Z NOVEMBER 88
INFO IMMEDIATE UKREP BRUSSELS, ATHENS
INFO ROUTINE OTHER EUROPEAN COMMUNITY POSTS

*Ad seen by
QM*

EUROPEAN COUNCIL IN RHODES : LUXEMBOURG CONCERNS

LUXEMBOURG HAS NO GREAT EXPECTATIONS OF THIS MEETING WHICH IS
REGARDED AS RELATIVELY ROUTINE. SANTER WILL HAVE THE FOLLOWING
CONSIDERATIONS IN MIND.

INTERNAL POLITICAL

THE PARTIES ARE JOCKEYING FOR POSITION IN ADVANCE OF NEXT JUNE'S
PARLIAMENTARY ELECTIONS. SO FAR NO ISSUE HAS CAUGHT FIRE, AND THE
OPPOSITION LIBERALS HAVE NOT FOUND ANY SERIOUS DISCONTENT TO EXPLOIT
IN A PROSPEROUS COUNTRY. THE MAIN PROBLEM THE COALITION PARTIES
FACE IS AN AIR OF TIREDNESS, ACCENTUATED BY TWO MINOR SCANDALS. IT
IS NOT CUSTOMARY FOR PARTIES TO INDICATE PREFERRED COALITION
PARTNERS IN ADVANCE OF AN ELECTION. I THINK SANTER EXPECTS TO BE
ABLE TO CONTINUE IN GOVERNMENT, WITH EITHER LIBERALS OR SOCIALISTS,
BUT HE CANNOT BE ALTOGETHER CONFIDENT. MEANWHILE HE WILL BE TRYING
TO DEMARCATHE HIS CHRISTIAN SOCIAL PARTY WITHOUT PUTTING EXCESSIVE
STRAINS ON THE COALITION.

FUTURE EUROPEAN CONSTRUCTION

SANTER HAS TAKEN THE LEAD IN THE EUROPEAN PEOPLE'S PARTY IN
ADOPTING A TRADITIONAL INTEGRATIONIST STANCE. THERE IS LITTLE SIGN
THAT THIS STRIKES MANY CHORDS WITH THE LUXEMBOURG POPULATION. POOS
TOLD ME THE OTHER DAY THAT HE THOUGHT THE PPE LINE MISTAKEN, AND
THAT THE SOCIALISTS WOULD ADOPT A MORE PRAGMATIC, LOW PROFILE LINE.
THE LIBERALS WILL PROBABLY DO THE SAME.

TAXATION OF SAVINGS

THIS IS THE MAIN THREAT ON THE COMMUNITY HORIZON FOR LUXEMBOURG,
AND SANTER WILL NOT WANT THE SUBJECT TO SURFACE AT RHODES.
LUXEMBOURG TAKES COMFORT IN THE UK POSITION AND WOULD WELCOME ANY
BILATERAL CONCERTATION ABOUT HOW TO HANDLE THE COMMISSION'S
EXPECTED RECOMMENDATIONS.

PAGE 1
CONFIDENTIAL

INTERNAL MARKET

HERE THE MAIN PROBLEM FOR LUXEMBOURG REMAINS FISCAL HARMONISATION (WITH UNIFIED EXCISE DUTIES EVEN WORSE THAN HARMONISED VAT RATES). WITH TRIPARTISM BUILT INTO THE INDUSTRIAL STRUCTURE AT ALL LEVELS, LUXEMBOURG LOOKS FORWARD WITHOUT INHIBITIONS TO PROGRESS ON 'SOCIAL EUROPE'. BUT AT RHODES THEY WILL PROBABLY SETTLE HAPPILY FOR AN OVERALL PROGRESS REPORT FROM THE COMMISSION.

AUDIO-VISUAL

SANTER TAKES PERSONAL RESPONSIBILITY FOR THIS FIELD AND WILL HOPE TO TURN DEVELOPMENTS TO ADVANTAGE. LUXEMBOURG GIVES PRIORITY TO THE COMMUNITY OVER THE COUNCIL OF EUROPE, BUT SEEKS MINIMAL REGULATION OF ADVERTISING IN EITHER. SANTER, WHO HIMSELF ATTENDED THE STOCKHOLM MEETING LAST WEEK, HAS PLAYED DOWN ITS RESULTS TELLING THE PRESS THAT NOTHING WAS DECIDED.

LUXEMBOURG IS INTRODUCING A NEW PACKAGE OF FISCAL INCENTIVES TO ENCOURAGE INVESTMENT IN THE AUDIO-VISUAL SECTOR, WHICH MAY TURN OUT TO BE MORE ABOUT FINANCING THAN PRODUCTION. EITHER WAY THEY ARE HOPING TO ESTABLISH A NEW MARKET NICHE. IN THE MEAN TIME GREAT HOPES ARE PINNED ON THE ASTRA LAUNCH ON 9 DECEMBER. (BAE'S CHANCES OF LANDING THE CONTRACT FOR ASTRA 1B ARE ALAS FADING).

CAMPBELL

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