

CONFIDENTIAL
FM PARIS
TO PRIORITY FCO
TELNO 153
OF 081245Z FEBRUARY 90
INFO ROUTINE ALL EC POSTS.

EX-PRESIDENT GISCARD D'ESTAING'S VISIT TO LONDON ON 18 FEBRUARY

1. I HAD AN HOUR'S TALKS WITH GISCARD OVER BREAKFAST THIS MORNING. HE IS LOOKING FORWARD TO HIS MEETING WITH THE PRIME MINISTER AND HIS FIRST CONTACT WITH YOU.

2. GISCARD SAID THAT HIS FIRST QUESTION WOULD BE ON THE BRITISH ATTITUDE TO THE INTER-GOVERNMENTAL CONFERENCE AND HOW WE FELT ABOUT PROPOSALS THAT IT OR A SEPARATE IGC SHOULD CONSIDER THE ISSUE OF FURTHER INSTITUTIONAL DEVELOPMENT. I SAID THAT, AS HE WOULD KNOW, WE HAD ACQUIESCED IN THE SETTING OF A DATE FOR THE OPENING OF AN IGC BECAUSE THE DECISION WAS PROCEDURAL AND WOULD HAVE GONE THROUGH WHATEVER OUR VIEWS. HOWEVER, WE THOUGHT THAT THERE WAS MORE THAN ENOUGH FOR THE CONFERENCE TO FOCUS ON, IN RESPECT OF WHAT ECONOMIC AND MONETARY UNION SHOULD CONSIST OF, WITHOUT PRE-JUDGING OR SIMULTANEOUSLY IDENTIFYING NEW INSTITUTIONAL ACTIVITY. AT A LATER STAGE IN OUR DISCUSSION I MADE THE POINT THAT RECENT EVENTS REINFORCED THE NEED FOR THE COMPLETION OF ALL ASPECTS OF THE SINGLE EUROPEAN MARKET. IN RESPONSE TO HYPOTHETICAL FEARS IN THE SOVIET UNION, EASTERN EUROPE AND ELSEWHERE OF THE CONSEQUENCES OF GERMAN DOMINANCE AFTER REUNIFICATION, ONE COULD ARGUE THAT THE COMPLETION OF THE MARKET WOULD REINFORCE WHAT HAD BEEN THE TARGET IN 1952 OF THE ECSC TREATY, IE SUFFICIENT OUTSIDE CONTROL OVER THE COMMANDING HEIGHTS OF THE GERMAN ECONOMY AS TO ENSURE THAT THE RISK OF INDEPENDENT GERMAN ACTION WAS ELIMINATED. THAT WAS, FOR INSTANCE, ONE REASON WHY IT SHOULD BE MADE EASIER FOR OTHER EUROPEANS TO BUY CONTROL OF GERMAN COMPANIES, SO AS TO BREAK OPEN THE HERMETIC QUALITY OF GERMAN FINANCIAL, COMMERCIAL AND INDUSTRIAL INSTITUTIONS.

3. GISCARD TOOK THAT POINT. HE PERSONALLY DISCOUNTED THE PROSPECT OF ANY LONGER TERM DANGER OF MILITARY ACTIVITY BY A REUNIFIED GERMANY AND HE THOUGHT THAT, EXCEPT FOR A FEW OLDER PEOPLE, THIS WAS NOT A CONCERN FOR FRENCH PUBLIC OPINION AT LARGE. NEVERTHELESS, REUNIFICATION WOULD SIGNIFICANTLY TILT THE BALANCE WITHIN THE COMMUNITY (ADDING 20 PER CENT TO THE FRG'S GDP) AND HE SAW IT AS A VERY STRONG AND SHARED BRITISH AND FRENCH INTEREST TO WORK TO MAINTAIN THE CURRENT BALANCE WITHIN THE COMMUNITY INSTITUTIONS. THE

COMMUNITY HAD TWO OPTIONS. THE FIRST WAS TO ACCEPT THAT REUNIFICATION AND THE TURMOIL OF CHANGE ASSOCIATED WITH IT SHOULD JUSTIFY ORIENTING THE COMMUNITY TOWARDS NOTHING MORE THAN A LOOSE ASSOCIATION OF STATES. HE COULD SEE THE TEMPTATION FOR THE UNITED KINGDOM TO EXPLOIT CURRENT EVENTS IN THAT WAY. ON THE OTHER HAND, DE FACTO THAT WOULD PERMIT A EUROPE TO EVOLVE IN WHICH THE DOMINANT INFLUENCE ECONOMICALLY AND THEREFORE POLITICALLY WOULD BE A RESURGENT GERMANY. HE WAS NOT SURE THAT THAT WAS WHAT EITHER OF US WANTED. THE ALTERNATIVE WAS TO EXPLOIT A MORE COHERENT DEVELOPMENT OF THE COMMUNITY AND ITS INSTITUTIONS AS A WAY OF KEEPING CONTROL OVER GERMANY AND OF MAINTAINING THE BALANCE BETWEEN FRANCE, THE UNITED KINGDOM AND GERMANY.

4. GISCARD TOOK IT AS READ THAT REUNIFICATION WOULD OCCUR IN THE NEAR FUTURE, IN THE NEW SITUATION WHICH WOULD ARISE AFTER THE GDR ELECTIONS ON 18 MARCH. FORTUNATELY, THERE WAS NO PROSPECT THAT THE COMMUNITY WOULD HAVE TO FACE UP TO THE DIFFICULTIES OF AN INSTITUTIONAL RELATIONSHIP WITH A SEPARATE GDR. BUT A REUNIFIED GERMANY WOULD POSE ALL SORTS OF DIFFICULT TRANSITIONAL PROBLEMS (HE REGRETTED THAT ON THESE AND OTHER ISSUES THE GERMAN LEADERS HAD BEEN SO MESMERISED BY THE 'HOLY GRAIL' OF REUNIFICATION THAT THEY HAD BARELY GIVEN THOUGHT TO THE NEED TO CONSULT THEIR PARTNERS). SO FAR AS THEY HAD FINANCIAL CONSEQUENCES IT WOULD BE FOR THE FRG TO COVER THE COST: AND HE WAS FIRMLY AGAINST ALLOWING THE ABSORPTION OF THE GDR TO ALTER IN ANY WAY CURRENT INSTITUTIONAL/VOTING BALANCES. THE FRG WAS RICH ENOUGH TO BEAR THE SHORT TERM ECONOMIC COST: ALTHOUGH THERE MIGHT BE TEMPORARY DISLOCATION GIVEN THE WEIGHT OF THE FRG ECONOMY AND THE DISCIPLINE AND LEVEL OF SKILLS OF THE LABOUR FORCE IN THE GDR HE FIRMLY ASSUMED THAT THE REUNIFICATION WOULD WITHIN A FAIRLY SHORT SPACE OF TIME LEAD TO A VERY SIGNIFICANTLY STRONG UNIFIED GERMAN ECONOMY.

5. GISCARD'S OVERRIDING INTEREST WAS IN THE ECONOMIC AND INSTITUTIONAL ASPECTS, THOUGH IN DISCUSSION - AGAINST THE LEITMOTIV THAT BRITAIN AND FRANCE INCREASINGLY SHARED THE SAME STRATEGIC AND POLITICAL INTERESTS AND MUST THEREFORE WORK MORE CLOSELY TOGETHER - HE RECOGNISED THAT HERE WAS AN IMPORTANT DEFENCE AND SECURITY DIMENSION WHICH WE SHARED, NOT LEAST BECAUSE OF SOME EVIDENT ANXIETY ON HIS PART ABOUT THE LONGER TERM RELIABILITY OF THE US PRESENCE IN EUROPE.

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CORRECTED VERSION - PARA THREE

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