

MR POWELL

I have received the attached letter from Maurice Fraser, the Foreign Office Special Adviser specialising in European matters, concerning the Prime Minister's meeting with Giscard d'Estaing next week. You will see that Giscard intends to raise with the Prime Minister his idea that a umbrella Centre-Right Grouping in the European Parliament should be formed, with him as its leader. Maurice reports that Christopher Prout, in typical door-mat fashion, would be quite happy for Giscard to take on this role. I cannot believe that many other people would share his enthusiasm.

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JOHN WHITTINGDALE

16th February, 1990



Foreign and Commonwealth Office

London SW1A 2AH

15 February 1990

J Whittingdale Esq
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Dear Mr Whittingdale

PRIME MINISTER'S MEETING WITH VALERY GISCARD D'ESTAING

Further to our brief word this morning, see paragraph 6 of the attached reporting telegram.

- Giscard made similar (rather nebulous) overtures to the EDG last summer, though at the time, he was only talking about EDG-Liberal merger.
- The Liberals, as you are no doubt aware, are a small and notably ineffectual grouping in the EP, not least because of their poor organisation and attendance record. As such, they are a totally inadequate vehicle for Giscard's ambitions.
- Sir Christopher Prout is quite amenable to the sort of arrangement which Giscard is proposing, and in principle would be prepared to accept fusion with either the European People's Party, the Liberals, or both. He remains of the view that the EDG can maximise its influence most effectively by fusion with the EPP. There is, of course, no prospect of this in the foreseeable future, although the EPP are to review the EDG's application for associate membership in eighteen months' time.
- Sir Christopher would be quite happy to have Giscard as the leader of a new centre-right grouping. He has always had a high personal regard for him, and dines with him regularly.
- The likelihood of the EPP agreeing to this idea is extremely slim, however. This would therefore leave only the Liberals as potential partners. Such a merger would in itself do little to increase the effectiveness of the British Conservatives in Strasbourg.



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- Clearly, in the unlikely event of such a merger coming about, there would be considerable difficulties about the banner under which British Conservatives would contest European Elections in the future. They would, of course, continue to campaign as Conservatives, but they would have to explain to voters that they would be sitting in Strasbourg as part of some grouping with a name which, at present, we can only guess at. This would certainly be an unfamiliar idea for British voters, to say the least.

Yours sincerely

Lindsey Brandford

for

MAURICE FRASER
Special Adviser

V.GISCARD d'ESTAING and Helmut SCHMIDT :

"STRENGTHENING THE FRANCO-GERMAN AXIS
IN RESPONSE TO
RECENT EVENTS IN EASTERN EUROPE"

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STRENGTHENING THE FRANCO-GERMAN AXIS
IN RESPONSE TO
RECENT EVENTS IN EASTERN EUROPE

In 1950, inspired by Jean MONNET, Robert SCHUMAN proposed that the coal and steel resources of France and Germany be pooled. Since then, the Franco-German axis has played a decisive role in progress towards European unification.

Not only our two countries but also Italy, the Benelux and, more recently, other countries such as Spain, have boosted progress towards European unification. But none of the decisive steps forward could have been taken without the impulse provided jointly by France and West Germany.

Acknowledgement of this fact first brought the leaders of both countries closer together, and later the ordinary people. Today, opinion polls show the French and the West Germans are "best friends" of the other nation.

Can this close friendship survive the situation created by recent events in Eastern Europe, particularly in East Germany? Has the Franco-German axis a specific role to play in the policy that will redraw the map of Europe?

We firmly believe that it has. Joint Franco-German action is necessary.

What do we expect it to achieve?

The political leaders of Western Europe are going to have to face up to three problems: the reuniting of the two Germanies, unification of the 12 European Community Member States, and the definition of new relations with the democratic countries of Eastern Europe. Regarding the reunion of the two Germanies -- a word which we prefer to "reunification", since that last word suggests a return to a previous situation -- three attitudes are possible for West Germany's partners, especially France:

-- They may try to slow down the process;

-- They may seek new alliances to act as a counterweight to growing German power;

-- They may act to incorporate the gradual reunion of the two Germanies in the process leading to a federal union of the states of Europe.

A word of warning against the first two options :

Any obvious intention to oppose the two Germanies' desire to unite would destroy the climate of confidence so patiently built up between France and West Germany. Opposition to German reunion might ignite a dangerous outburst of German nationalism.

As for seeking new alliances to act as a counterweight to German influence --with the Southern European countries, the United Kingdom or even, as some people have imprudently suggested, with the Soviet Union-- this would take us back to a trial of strength, particularly to the type of relations existing between European countries before the two world wars. It would set us back 80 years.

In practical terms, the problem of the gradual reunion of the two Germanies will arise just after March, 18, 1990, when elections will be held in East Germany. The proclamation of these election results will have an outstanding impact on world public opinion : it will signal the death of 45 years of communist rule over Eastern Europe. The two German states will then understand the necessity of a long, drawn-out pragmatic process leading to a common political structure.

It is clear that rapprochement between the two Germanies will be at the heart of the political debate in Europe. The only approach consistent with the maintenance of Franco-German friendship and understanding is to incorporate the reunion of the two Germanies within the strategy of establishing a federal union of the Member States of the EC.

Such a federation would include not only economic and monetary union, but also the integration of foreign policies and ultimately of military and security policies --in which France and Germany will have a special role to exercise jointly.

Acting in this way would avoid going against the tide of history by setting the problem of reunion in pre-war terms. Rather, it would place German reunion in a contemporary context at the intersection of two major movements : the construction of a united Europe and the awareness of ethnic solidarity.

The German leaders must take into account the common concern of all other Europeans to prevent the restoration of German hegemony. And no nation in the world is better positioned than France to lend credibility to the German people's legitimate wish to unite.

Opting to deal with this problem in a postwar perspective entails practical consequences that will provide a real test of the Germans' intentions. The German Government's answers to the following question will decisively influence the options for the future of a united Europe : From the German perspective, will a united Europe be only a large economic and monetary area with no common personality, or a federal union of the states of Europe ?

The first consequence of the German acceptance of a federal union would be the strict and clear recognition, with no legal niceties and no strings attached, of the frontier between East Germany and Poland.

The second consequence would be that reunion must take into account all the rules and obligations that the Member States of the EC have laid down for themselves in their progress toward a united Europe. East Germany will not join forces with a West Germany isolated in a national context, but with a state that is already part of the European Community, abiding by its operational procedures and participating in its institutions.

This means that the steps towards the reunion of the two Germanies will have to take full account of East Germany's capacity to comply with Community obligations. Those obligations are strict and precise.

They led new member countries such as Spain and Portugal to seek and obtain a transitional period for accession.

Similarly, the uniting process will have to guarantee the equilibria laid down in the Treaty of Rome, and confirmed with each subsequent accession, which have seen the EC expand from being a Community of Six to a Community of Twelve. With regard to the weighting of votes in the Council of Ministers and the number of Members of the European Parliament, demographic proportions are not strictly adhered to : The countries with the smallest population are better represented, and a rule of parity is applied to the four most populous countries : West Germany, Italy, France and the United Kingdom. The parity will have to be maintained in the event the two Germanies unite.

The reunion of the two Germanies must be seen as part of the process leading toward the establishment of the Union of the Member States of the Community.

The current outlook toward European unity lacks dynamism and clarity. Is Europe seeking a single market with monetary stability where all member states retain their sovereign powers or a federation to which member states allot joint powers? It is time that the objective must be clearly set out : the institution of a federal organization that respects the diversity of its Member States. The realization of this option requires a strong political impulse that can only be provided jointly by France and Germany.

The first task to undertake without delay is to clear up any misunderstandings, especially those affecting the United Kingdom. A specific and exhaustive list of the areas that will be the responsibility of the Union, and of those which will remain the responsibility of the Member States and their local authorities, must be drawn up. That list will be based on the "subsidiarity principle", which restricts the powers and responsibilities of central government to those that can't be handled at lower levels.

This federation, of a type never seen before, will require a Constitution or a "Basic Law" because the existing institutions can no longer cope with the rapid pace of European developments.

It is essential that this task be carried out during the 1990s. There are no insurmountable problems, although certain compromises will obviously have to be sought.

However, it will not come about without a political will operating at the Community's three levels : the European Council, the Commission and the Parliament. To maintain its momentum, the EC must concentrate its energies to complete its union. Any enlargement that may slow down the process, or dilute the political will, must be postponed until the EC has definitely agreed on its future structure and rules.

We call on the French and German leaders to join together to demonstrate this political commitment. Without their common will, progress will be slow and minimal, as has been the case in the monetary sphere since 1980.

If we succeed in setting into motion the process leading toward the political unification of Europe, the process for uniting the two Germanies will be incorporated in a movement of which it will only be one part, and it will have to take into account both the political substance and the timetable for achieving the other parts of the whole.

Until the recent events occurred, relations between the Community and the communist countries of Eastern Europe developed on a progressive, case-by-case basis. Trade agreements were negotiated bilaterally. The GDR enjoyed special terms for its trade with the Federal Republic. Some countries participated in the activities of international economic institutions as members or observers. Until recently it seemed probable that, ten years or so from now, isolated applications would have been submitted for association agreements with the Community. The Community would have negotiated such agreements cautiously and, no doubt, concluded one or two.

The democratic uprisings of recent months have changed the picture completely. The public in Western Europe has been made aware by TV's daily and brutal images that another Europe also existed, that it as in a desperate economic situation and that it was turning towards Western Europe, even before turning towards the United States, to seek help and benchmark against which to base its reorganization. And the public in the West is growing impatient at the delay in the response from Western governments.

The call from the East is a simple one : "We want to live like you", but the response must vary because, as the tide of Communism ebbs, the land left uncovered differs from country to country.

France and Germany must together prepare an appropriate response to the popular pleas for rapprochement.

There are two different cases :

Some countries will have the capacity and desire to become incorporated into the Community. At the moment, the only probable candidate for a relatively early accession is East Germany. Others, such as Poland, Hungary and, no doubt, Czechoslovakia, will set as the goal of their economic restructuring a standard of living like that which exists within the EC.

The strengthening of their links with the Community may range from association to accession. The proper approach for dealing with these countries is to provide aid : emergency aid, transfert of know-how, technology and investment aid. Since this aid comes mainly from public funds, it ought to be channelled exclusively through the Community, with France and Germany acting as one.

Although it is right and proper for industrial experts to undertake missions to these countries, why are they undertaken on a strictly national basis ? Measures should be taken to send joint French and German business missions, for banks and insurance companies of both countries, to set up joint subsidiaries in those countries. The next Franco-German summit should be devoted to the coordination of the economic and financial operations undertaken by Germany and France in the Eastern European countries.

Since they have been cut off from Western political life for so long, the public and the new leaders in the countries of Eastern Europe are unaware of the close friendship that now exists between France and Germany. They still imagine that our two countries are suspicious and jealous of each other. This both reassures them and worries them.

In the next few months, they must be persuaded that the Europe with which they will be associated will be based on a close and irreversible friendship between our two countries, each of which, in the past, sought to attract them into hostile alliances against the other. Joint visits by the foreign ministers would demonstrate the new climate of friendship and understanding to which these countries will have to become accustomed.

The growth in economic power of the combined Germanies will have to be offset. If the Community has been able to equip itself with federal structures, and if it respects the principle of parity, this increase in power will not become manifest at a national level. But it is clear that industrial and financial cooperation will occur more rapidly based on a common German culture, thus making Germany economically larger than the others. Here we will have to rely on the joint undertakings of the other European countries, within a market context, to balance the new German economic might.

This must be accompanied by the use of Community resources for accelerating the development of Southern Europe -- Italy, Spain and Portugal -- to maintain the existing equilibrium between the different parts of the European Community.

We do believe that, at the beginning of an entirely new era in Europe, France and Germany must act jointly to overcome the dangers and to seize the opportunities as they did daringly through the pooling of resources in the 1950s.

We call on leaders of our two countries to clearly set the new objective of the Union of the European States in which Germany may enjoy its unity while Europe keep the balance it vitally needs.