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TO IMMEDIATE FCO

TELEGRAM NO 552 OF 5 OCTOBER

INFO IMMEDIATE PARIS AND WASHINGTON

INFO ROUTINE MOSCOW, UKDEL NATO, UKREP BRUSSELS, OTHER EEC POSTS
AND OTHER NATO POSTS.

Prime Minister

per Axel

MY TELNO 555: FRANCO/GERMAN SUMMIT

1. SUBSEQUENT CONTACTS WITH GERMAN OFFICIALS HAVE CONFIRMED THE ASSESSMENT IN MY T.U.R. THE CHANCELLOR'S OFFICE HAVE TOLD US THAT THE ATMOSPHERE OF THE TALKS WAS EXCELLENT AND THAT THE VISIT WAS A GREAT SUCCESS. MUCH OF THE EXTENSIVE PRIVATE TALK BETWEEN THE FEDERAL CHANCELLOR AND PRESIDENT GISCARD WAS ON EAST/WEST RELATIONS, SECURITY AND RELATIONS WITH THE UNITED STATES. HENCE THE EMPHASIS GIVEN TO SALT II AND DETENTE IN THE JOINT PRESS CONFERENCE. THE FRENCH EDC PROPOSAL WAS DISCUSSED BETWEEN GENSCHER AND FRANCOIS-PONCET IN SOME DEPTH. ALTHOUGH THIS DISCUSSION LEFT A NUMBER OF POINTS OF DETAIL STILL UNCLEAR, THE GERMANS GAVE THE PROPOSAL THEIR BLESSING. ALTHOUGH THEY REGARD THE SECOND STAGE (REDUCTIONS) AS UNREALISTIC, THEY WELCOME THE FIRST STAGE AS PROVIDING A DEFENSIBLE WESTERN POSITION ON CBMS, AND ONE WHICH HAS THE GREAT ADVANTAGE FROM THE GERMAN POINT OF VIEW OF WIDENING THE AREA OF APPLICATION BEYOND THE MBFR REDUCTIONS AREA AND THUS TAKING THE FOCUS OFF GERMANY.

COMMUNITY BUDGET

2. THE TWO SIDES AGREED THAT THE BUDGETARY BURDEN ON BRITAIN SHOULD BE EASED. THEY SET OUT PARAMETERS FOR DEALING WITH THE QUESTION. FIRST THE PRINCIPLE OF OWN RESOURCES SHOULD BE MAINTAINED (THE AUSWAERTIGES AMT ASSUME THIS MEANS THAT THE CONCEPT OF PROGRESSIVITY SHOULD BE REJECTED). SECONDLY THE 1% VAT CEILING SHOULD BE MAINTAINED. THIRDLY THE SOLUTION SHOULD BE QUOTE TEMPORARY UNQUOTE. THE QUESTION REMAINED OPEN WHAT TEMPORARY MEANT. BOTH SIDES AGREED THAT THE REMEDY SHOULD HAVE COME TO AN END BEFORE THE COMMUNITY CONSIDERED SERIOUS PROPOSALS TO INCREASE OWN RESOURCES. BUT THE FRENCH WENT FURTHER THAN THIS AND WERE CLEARLY THINKING FIRMLY IN TERMS OF A FINITE TIME LIMIT. AT ONE POINT IN THE DISCUSSION THEY INDICATED A PERIOD OF ONE YEAR.

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3. BOTH SIDES CAME DOWN AGAINST A NET SOLUTION, THE FRENCH VERY STRONGLY SO. IT APPEARS THAT FIGURES WERE NOT DISCUSSED, BUT CLEARLY NEITHER SIDE IS THINKING OF ANYTHING LIKE OUR QUOTE BROAD BALANCE UNQUOTE. THE FRG STATED THEIR PREFERENCE FOR A DEVELOPMENT OF THE DUBLIN MECHANISM. THE FRENCH AGREED THAT THIS WAS ONE POSSIBILITY, BUT ANOTHER WOULD BE TO EXAMINE AN EXTENSION OF THE ARTICLE 131 ARRANGEMENT.

4. IT WAS CLEAR TO THE GERMANS THAT WHILE THE FRENCH WANTED THE BUDGETARY PROBLEM DEALT WITH THEY WERE GENERALLY MUCH MORE RESERVED THAN THE FRG: AND WERE VERY MUCH CLEARER IN THEIR DESCRIPTION OF PRINCIPLES WHICH MUST NOT BE BREACHED (THAT THE CAP SHOULD NOT BE PUT IN QUESTION: THAT THE BUDGET WAS NOT A MECHANISM FOR REDISTRIBUTION: AND THAT ITS OBJECT WAS TO FINANCE EXISTING COMMUNITY POLICIES) THAN ON THE POSITIVE SIDE. THE GERMANS CONCLUDED FROM THE DISCUSSION THAT THE GAP BETWEEN BRITAIN AND FRANCE WAS LARGE AND WOULD BE DIFFICULT TO BRIDGE AT DUBLIN. OFFICIALS IN THE CHANCELLOR'S OFFICE CONSIDER THAT IT WILL BE NECESSARY TO PRESS THE COMMISSION TO SPEED UP THEIR PROPOSALS AND TO HAVE AN ADDITIONAL MEETING OF FINANCE MINISTERS BEFORE DUBLIN (BUT THEY DID NOT SAY THAT THE FRG WOULD TAKE THE LEAD IN PRESSING FOR THIS). AFTER THE MEETING GERMAN OFFICIALS WERE TAKING THE LINE THAT ALTHOUGH SPECIFIC LINKAGES WERE NOT DISCUSSED, BOTH ENERGY AND FISHERIES WILL STILL BE IMPORTANT FACTORS IN THE OVERALL ATMOSPHERIC PACKAGE FOR DUBLIN.

CAP

5. SCHMIDT TRIED TO PERSUADE GISCARD THAT ACTION HAD TO BE TAKEN. AT THE PRESS CONFERENCE HE WAS ABLE TO ANNOUNCE THAT THE TWO HEADS OF GOVERNMENT HAD AGREED THAT IT WAS NECESSARY QUOTE TO DISCOURAGE AGRICULTURAL SURPLUSES UNQUOTE. (OFFICIALS ARE NOT HOWEVER DISPOSED TO SUGGEST THAT THIS MOVE REPRESENTS SIGNIFICANT PROGRESS). SCHMIDT SUGGESTED AT THE PLENARY SESSION THAT FINANCE MINISTERS SHOULD BE MORE INVOLVED IN THE WHOLE QUESTION OF AGRICULTURAL PRICES: BUT HE DID NOT PRESS THE POINT, NOR DID THE FRENCH TAKE IT UP.

ENLARGEMENT

6. THE FRG ARGUED THAT THE SPANISH ACCESSION NEGOTIATIONS SHOULD BE ALLOWED TO MOVE FORWARD WITH DUE SPEED. THE FRENCH POINTED OUT THAT THERE WERE SERIOUS PROBLEMS OF FRENCH DOMESTIC POLICY INVOLVED. THE GERMANS REPLIED RESOLUTELY THAT SPAIN HAD DOMESTIC POLITICAL PROBLEMS TOO.

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7. BOTH SCHMIDT AND GISCARD WERE AGREED THAT THE MESSAGE TO THE EUROPEAN PARLIAMENT WAS THAT THE COMMUNITY'S RESOURCES WERE LIMITED AND THAT THE PARLIAMENT SHOULD BE CAREFUL. THEY AGREED THAT THE COMMUNITY SHOULD INSIST THAT THE ALLOWED MARGIN FOR INCREASING THE DRAFT BUDGET PROVISION FOR NON-OBLIGATORY EXPENDITURE MUST BE RESPECTED AND THAT IF IT WAS NOT, THE NEW PROCEDURE FOR REDUCING INCREASES PROPOSED BY THE PARLIAMENT SHOULD BE FOLLOWED.

EURATOM CHAPTER VI

8. THE TWO FOREIGN MINISTERS EXPRESSED GENERAL SATISFACTION WITH DEVELOPMENTS TO DATE. THEY AGREED THAT THE MINISTERS AND NATIONAL EXPERTS WOULD HAVE TO WORK ON THE BASIS OF THE FOLLOWING PRINCIPLES (A) FREE MOVEMENT OF SUPPLIES (B) NON DISCRIMINATION AND (C) COMMON ACTION VIS-A-VIS NON MEMBER STATES. ANY PROPOSALS TO ADAPT THE TREATY WOULD NEED TO TAKE INTO ACCOUNT ECONOMIC AND INDUSTRIAL FACTORS.

INDUSTRIAL POLICY

9. THE FRG ARGUED AGAINST THE FRENCH WISH TO PROLONG THE CRISIS MEASURES FOR STEEL. THE FRG THOUGHT IT IMPORTANT TO AVOID GIVING THE INDUSTRY THE IMPRESSION THAT THEY WOULD BE PROTECTED INDEFINITELY ON TEXTILES THE FRENCH ARGUED THAT TEXTILE IMPORTS HAD TO BE ACCOMPANIED BY PROOF OF ORIGIN CERTIFICATES. THIS WOULD BE ADMINISTRATIVELY COMPLICATED FOR THE FRG, WHO SAW IT AS A FRENCH ATTEMPT TO INCREASE PROTECTIONISM IN THIS FIELD.

NUCLEAR

10. THERE WAS AN EXCHANGE OF VIEWS (BUT NO MORE) ON NUCLEAR ENERGY AND ON NEW ENERGY SOURCES, BOTH SIDES AGREED THAT NUCLEAR ENERGY COULD NOT BE DISPENSED WITH.

NORTH-SOUTH

11. SEE BONN TEL 560.

BILATERAL

12. THE MAIN RESULT WAS THE CONCLUSION OF AN AGREEMENT TO DEVELOP TWO TV SATELLITES, ONE IN EACH COUNTRY, WHICH WOULD BE LAUNCHED (PROBABLY NOT BEFORE 1983) INTO GEO-STATIONARY ORBIT BY THE ROCKET-LAUNCHER ARIANE. NEGOTIATIONS HAVE TAKEN PLACE OVER MANY MONTHS. FURTHER DISCUSSIONS WOULD TAKE PLACE BILATERALLY ON THE TERMS OF THE INDUSTRIAL COOPERATION, AND MULTI-LATERALLY AT THE NEXT SESSION OF ESA.

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13. IN EDUCATION, THE TWO SIDES AGREED THAT THE BILATERAL COMMITTEE OF EXPERTS ON EDUCATION WOULD EXAMINE WAYS OF BOOSTING THE STUDY OF FRENCH IN GERMANY AND VICE VERSA; THAT TEACHER EXCHANGES SHOULD BE INCREASED; AND PROCEDURES FOR MUTUAL RECOGNITION OF QUALIFICATIONS ACCELERATED.

14. THE ONLY SOUR NOTE WE HAVE DETECTED THROUGHOUT THE SUMMIT WAS A MINOR ONE CONCERNING GISCARD'S APPEARANCE ON TELEVISION. THE FRENCH WERE RATHER TAKEN ABACK BY THE HOSTILITY OF QUESTIONING, ESPECIALLY ON THE FRENCH ROLE IN AFRICA, WHERE FRANCE WAS DESCRIBED AS THE CUBA OF THE WEST AND IT WAS SUGGESTED THAT THE SEARCH FOR RAW MATERIALS WAS BEHIND HER ACTIVITY. FOR THEIR PART THE GERMANS WERE RUFFLED BY GISCARD'S CORRECT BUT COOL RESPONSE TO A QUESTION ON REUNIFICATION, FROM WHICH HIS LACK OF ENTHUSIASM WAS PAINFULLY EVIDENT.

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