

CONFIDENTIAL

FM BONN

TO DESKBY 101530Z FCO

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INFO IMMEDIATE EUROPEAN COMMUNITY POSTS

(RECEIVED IN FCO AT 1556Z)

FRAME GENERAL

MR MAUDE'S VISIT TO BONN

SUMMARY

1. MR MAUDE HELD USEFUL TALKS TODAY WITH STAVENHAGER AND FRAU ADAM-SCHWAETZER. SOME HINT OF MOVEMENT IN GERMAN THINKING ON EMU.

DETAIL

2. MR MAUDE VISITED BONN ON 9 AND 10 NOVEMBER. HE HAD TALKS WITH MINISTERS OF STATE ADAM-SCHWAETZER (FDP) AT THE AUSWAERTIGES AMT, AND STAVENHAGEN (CDU) AT THE FEDERAL CHANCELLERY, AND WITH KUEHN AT THE ECONOMICS MINISTRY. HE GAVE A PRESS INTERVIEW. HIS TALKS ON EC ISSUES WERE HELD AGAINST THE BACKGROUND OF THE DRAMATIC DEVELOPMENTS IN THE GDR, WHICH BOTH GERMAN MINISTERS USED AS A REASON FOR REEMPHASISING THAT CONTINUAL INTEGRATION WITHIN THE EC REMAINED THE FRG'S OVERRIDING PRIORITY.

ECONOMIC AND MONETARY UNION

3. MR MAUDE EXPLAINED THE THINKING BEHIND THE CHANCELLOR'S PAPER. THERE WAS COMPLETE CONSENSUS IN BRITAIN IN OPPOSING STAGES 2 AND 3 OF DELORS. THE EVOLUTIONARY APPROACH WHICH WE PROPOSED COULD BRING US VERY CLOSE TO ECONOMIC AND MONETARY UNION WITHOUT INSTITUTIONAL STAGES. A DECISION ON THE INSTITUTIONAL ISSUE COULD BE TAKEN MUCH LATER. AN IGC WOULD BE PREMATURE. WE WERE NOT SEEKING TO CAUSE DELAY, IN FACT WE HOPED THAT PHASE 1 COULD BE ACCOMPLISHED QUICKLY. HOWEVER PHASE 1 INVOLVED MUCH MORE THAN MOST PEOPLE UNDERSTOOD. OUR CONDITIONS FOR ENTRY INTO THE ERM WERE CLEAR AND DEPENDED TO A CONSIDERABLE EXTENT ON DECISIONS WHICH WERE IN OTHER PEOPLE'S HANDS: WE WANTED RAPID PROGRESS ON LIBERALISATION OF CAPITAL MOVEMENTS AND COMPLETION OF THE SINGLE MARKET.

4. FRAU ADAM-SCHWAETZER ARGUED THAT DEVELOPMENTS IN THE GDR AND EASTERN EUROPE DEMONSTRATED THE IMPORTANCE OF PRESSING AHEAD WITH EUROPEAN INTEGRATION. HEADS OF GOVERNMENT WOULD HAVE TO DECIDE ON THE TIMING FOR AN IGC. THERE WAS NO FEDERAL GOVERNMENT POSITION YET BUT THE AUSWAERTIGES AMT FAVOURED CALLING IT NEXT AUTUMN. EXPERIENCE

IN THE COMMUNITY SHOWED THAT PROGRESS WAS ONLY MADE WHEN THERE WAS A DEADLINE. MR MAUDE AGREED WITH THE NEED TO MAKE PROGRESS WITH INTEGRATION. HOWEVER, PEOPLE IN THE GDR WERE MOTIVATED BY THE FREEDOM AND PROSPERITY OF THE EUROPEAN COMMUNITY, NOT BY SPECIFIC ISSUES LIKE EMU. THE STRASBOURG COUNCIL MUST ADDRESS A NEED TO MAKE PROGRESS, BUT PHASE 1 WOULD INVOLVE MASSIVE CHANGES AND IT WOULD BE WRONG TO CONSIDER NEXT STEPS BEFORE PHASE 1 WAS EVEN UNDER WAY. THERE WAS A LONG EXCHANGE ABOUT THE NEED FOR FULL AND ADEQUATE PREPARATION OF THE SUBSTANTIVE POSITION, WITH ADAM-SCHWAETZER SEEING THIS AS PART OF THE IGC, RATHER THAN AS A PRIME TASK.

5. STAVENHAGEN SAID THAT THE BRITISH PAPER ON EMU MADE A LOT OF SENSE. HOWEVER, THE FRG HAD A DIFFERENT APPROACH BECAUSE IT WANTED FOR POLITICAL REASONS TO PRESS AHEAD WITH EUROPEAN INTEGRATION. THE BRITISH APPROACH WOULD LEAD TO A VERY SOPHISTICATED PHASE 1 BUT WOULD GO NO FURTHER. MR MAUDE SAID THAT ON THE CONTRARY THE BRITISH APPROACH WOULD TAKE PHASE 1 MUCH FURTHER. WE WANTED RAPID PROGRESS WITH THIS. STAVENHAGEN RECOGNISED THAT GERMAN DESIDERATA ON INDEPENDENCE OF THE CENTRAL BANKING AUTHORITY AND THE PRIMARY REQUIREMENT FOR PRICE STABILITY WOULD BE DISPUTED AND PERHAPS WATERED DOWN. HE ACCEPTED THAT THE COMMUNITY SHOULD NOT ENTER STAGE 2 BEFORE STAGE 1 WAS SUFFICIENTLY DEVELOPED AND BEFORE PRELIMINARY WORK HAD GONE FAR ENOUGH. HE SAID (TWICE) THAT KOHL HAD NOT MADE UP HIS MIND ABOUT THE TIMING OF AN IGC. BUT THERE WAS A POLITICAL REQUIREMENT FOR STRASBOURG TO MAKE A STEP FORWARD FROM MADRID. HE ASKED WHETHER WE MIGHT SEEK A COMPROMISE BETWEEN NAMING A DATE FOR THE IGC AND SIMPLY REPEATING THE MADRID CONCLUSIONS. IT WAS NECESSARY TO FIND SOME WAY OF SHOWING THAT THE COMMUNITY WAS STILL MAKING PROGRESS. HE AGREED TO REMAIN IN TOUCH WITH MR MAUDE ON THIS.

COMMENT

6. IT SEEMS CLEAR THAT THERE IS NO HOPE OF MAKING PROGRESS WITH THE AUSWAERTIGES AMT OR THE FDP. HOWEVER, STAVEHNAGEN'S REMARKS, SEEN AGAINST THE BACKGROUND OF INCREASING DOUBTS IN THE CDU/CSU ABOUT THE RUSH TO FIX A DATE FOR AN IGC, INDICATE THAT THERE MAY BE SCOPE FOR US TO DEVELOP A COMPROMISE WITH THEM WHICH COULD FINESSE THE QUESTION WHEN AN IGC SHOULD BE CALLED. IF YOU AGREE, IT WOULD BE DESIRABLE TO WORK UP SOME PROPOSALS QUICKLY TO PUT TO STAVENHAGEN.

SOCIAL CHARTER

7. ON THIS POINT, TOO, FRAU ADAM-SCHWAETZER WAS RELATIVELY UNHELPFUL. SHE SAID THAT THE FEDERAL GOVERNMENT NEEDED TO SUPPORT THE SOCIAL CHARTER FOR DOMESTIC POLITICAL REASONS. THERE WERE WIDESPREAD FEARS IN THE FRG THAT THE SINGLE MARKET WOULD UNDERMINE

THE COUNTRY'S ADVANCED SOCIAL STANDARDS. MR MAUDE EMPHASISED THAT THE UK HAD NO WISH TO FORCE THE FRG TO CHANGE ITS SYSTEM. WE SOUGHT ONLY RECOGNITION THAT WE HAD A RIGHT TO RETAIN OUR OWN SYSTEM. HERR STAVENHAGEN EMPHASISED THAT THE SOCIAL STANDARDS OUTLINED IN THE CHARTER WERE NOT REVOLUTIONARY. HE HOPED THAT IF THE UK HAD TO SAY NO IT WOULD DO SO QUIETLY. HE ALSO HOPED THAT WE WOULD TALK TO THE FRENCH ABOUT A COMPROMISE.

SINGLE MARKET ISSUES

8. MR MAUDE PRESSED THE CASE FOR RAPID PROGRESS ON TELECOMMUNICATIONS, TRANSPORT AND FINANCIAL SERVICES. THE GERMANS REFERRED TO THEIR CONCERNS ABOUT THE MERGER DIRECTIVE, AND HARMONISATION OF INDIRECT TAXES. ADAM-SCHWAETZER LOBBIED FOR UK SUPPORT ON THE TRANSPORT OF DANGEROUS GOODS. THERE WERE NO NEW POSITIONS.

OTHER MATTERS

9. MR MAUDE SAID THAT THE GERMAN MEASURES WHICH EXCLUDED BRITISH BEEF IMPORTS FROM THE FEDERAL REPUBLIC WERE AGAINST COMMUNITY LEGISLATION AND NOT JUSTIFIED BY THE SCIENTIFIC EVIDENCE. FRAU ADAM-SCHWAETZER SAID THAT THE FEDERAL GOVERNMENT WANTED TO AWAIT THE FINDINGS OF THE EC VETERINARY COMMITTEE.

10. FRAU ADAM-SCHWAETZER SUGGESTED THAT SHE SHOULD TALK ON THE TELEPHONE TO MRS CHALKER ON 25 NOVEMBER TO COORDINATE POSITIONS ON LOME AND ON EDF 7.

11. FRAU ADAM-SCHWAETZER SOUGHT BRITISH SUPPORT FOR SITING THE EC ENVIRONMENT AGENCY IN BERLIN. WE REMINDED THE GERMANS OF THE UK BID.

12. A PRESS STATEMENT WAS AGREED. COPIES BY BAG TO ECD(I) AND NEWS DEPARTMENT.

13. PLEASE ADVANCE TO KERR, TURNER ECD(I) AND MRS BROWN HM TREASURY.

MALLABY

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