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FM PARIS 281720Z JUN 84

TO PRIORITY FCO

TELEGRAM NUMBER 814 OF 28TH JUNE

INFO PRIORITY BRUSSELS, ROUTINE OTHER EC POSTS.

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MY TELNO 800: FONTAINEBLEAU: FRENCH REACTIONS.

SUMMARY.

1. GENERAL RELIEF AT BUDGET AGREEMENT, COMBINED WITH SATISFACTION AT SUCCESSFUL CONCLUSION TO FRENCH PRESIDENCY. TERMS OF BUDGET SETTLEMENT SEEN AS A COMPROMISE, WITH BRITAIN CONCEDING MORE THAN EXPECTED BUT ACHIEVING HER ESSENTIAL OBJECTIVES. INCREASING RECOGNITION THAT BRITISH DEMANDS WERE REASONABLE. NEVERTHELESS SOME SUGGESTIONS, ENCOURAGED BY THE OPPOSITION, THAT THE PROBLEMS HAVE NOT REALLY GONE AWAY. FARM LEADERS HAVE STRONGLY CRITICISED THE RESULTS OF THE WHOLE FRENCH PRESIDENCY.

DETAIL.

2. COVERAGE OF FONTAINEBLEAU HAS BEEN SQUEEZED BY OTHER NEWS - NOT LEAST THE FRENCH VICTORY IN THE EUROPEAN FOOTBALL CUP. LE MONDE PROVIDES THE MOST EXTENSIVE AND MOST INTERESTING COMMENT. ITS EDITORIAL OF 29 JUNE REJECTS ARITHMETICAL ATTEMPTS TO CALCULATE WHO WON OR LOST IN THE BUDGET, ARGUING THAT THE RESULT IS BALANCED. "MME THATCHER DID NOT MAKE HER PARTNERS SURRENDER... SHE HAS ATTAINED HER PRINCIPAL OBJECTIVES: A SUBSTANTIAL COMPENSATION DURABLE THIS TIME, SO INSCRIBED IN THE FACTS THAT IT IS PRACTICALLY PERMANENT. WHAT A DISTANCE TRAVELLED IN TEN YEARS. GREAT BRITAIN, EVEN IF MENTAL ATTITUDES HAVE NOT FOLLOWED, IS ON THE EVIDENCE BETTER INTEGRATED INTO THE COMMUNITY. THE TRADE STATISTICS DEMONSTRATE IT."

3. FROM HERE ON, CONTINUES LE MONDE, "THE TASK OF GOVERNMENTS WILL BE TO ENCOURAGE COMPANIES AND MINISTRIES TO COOPERATE. WHAT IS NOW NEEDED IS NOT MONEY SO MUCH AS THE POLITICAL WILL TO HARMONISE STANDARDS, OPEN NEW MARKETS AND COORDINATE STRATEGIES."

4. IN AN ACCOMPANYING PIECE, LEMAITRE ARGUES THAT BRITAIN HAS ACHIEVED LESS THAN SHE WANTED: 55 PERCENT REFUND OF THE NET CONTRIBUTION, COMPARED TO (A) THE TWO-THIRDS PREVIOUSLY DEMANDED, (B) THE 65 PERCENT AVERAGE ATTAINED FOR 1980-83, AND (C) THE SYSTEM PROPOSED AT BRUSSELS, WHICH HE ALLEGES WOULD HAVE BEEN BETTER FOR BRITAIN AS TIME WENT ON. BUT WHAT IS LEFT, HE ASKS, OF FRENCH DEMANDS FOR ONLY "LUMP SUM, TEMPORARY AND DEGRESSIVE REFUNDS FOR BRITAIN?" THE UK, HE JUDGES, HAS ACHIEVED HER MAIN AIMS. AND REFUNDS ARE JUSTIFIED BECAUSE BRITAIN HAS CHANGED HER TRADE PATTERN AND IT HAS BECOME CLEAR THAT NEW POLICIES WILL NOT CORRECT THE IMBALANCE. BUT, HE WARNS, BUDGETARY NEGOTIATIONS ARE LIKELY TO BE REOPENED IN LESS THAN TWO YEARS.

5. LIBERATION (INDEPENDENT LEFT-WING) AND QUOTIDIEN DE PARIS (RIGHT-WING) ARE CONFIRMED IN THE VIEW, WHICH THEY FIRST EXPRESSED AFTER BRUSSELS, THAT A DIFFERENT KIND OF EUROPE IS COMING INTO BEING, DUE IN LARGE PART TO GERMAN AND BRITISH PRESSURE. 'MRS THATCHER WAS RIGHT' IS THE HEADLINE TO QUOTIDIEN'S EDITORIAL. 'SINCE ATHENS, MRS THATCHER... HAS OBLIGED HER EC PARTNERS, NOT LEAST FRANCE, TO REALIZE JUST HOW APPALLINGLY BADLY THE COMMUNITY WORKS'. FOR QUOTIDIEN THE TRUE EUROPE IS IN INDUSTRY, AND IN LABOUR RELATIONS. FOR LIBERATION, EUROPE IS GOING TO BECOME A FREE TRADE ZONE FOR PEOPLE AND GOODS, IN WHICH EACH COUNTRY WILL CONTINUE TO DEFEND ITS INTERESTS.

6. LIBERATION ALSO SEES DIFFICULTIES ARISING SOON OVER THE 1984 SHORTFALL, OVER DEMANDS FROM FRENCH, ITALIAN AND DUTCH FARMERS, STIMULATED BY CONCESSIONS TO GERMAN FARMERS, AND OVER THE ENLARGEMENT ISSUES OF WINE, OLIVE OIL AND FISH.

7. ON THE POLITICAL FRONT, MOST COMMENT HAS BEEN FAVOURABLE, WITH LITTLE MAJOR CRITICISM SO FAR. NOTHING HAS BEEN HEARD FROM CHIRAC, SIMONÉ VEIL OR GISCARD D'ESTAING. LECANUET, THE PRESIDENT OF THE UDF, SAID YESTERDAY THAT IT WAS FALSE TO CLAIM THAT EUROPE'S DISPUTES HAD BEEN SOLVED. THE BUDGET SETTLEMENT MIGHT HAVE KEPT OPEN THE DOOR FOR EUROPEAN UNION, BUT IT WOULD COST FRANCE DEAR. 'FOR THE MOMENT, THE OLD EUROPE GOES ON AND FRANCE, BADLY GOVERNED AND WEAKENED BY SOCIALISM, IS SADLY UNABLE TO BE ITS MOTOR.'

8. THE OTHER MAIN ATTACK HAS COME FROM THE FARMERS' LEADER, GUILLAUME, WHO SAID ON 27 JUNE THAT THE WHOLE FRENCH PRESIDENCY HAD COST FRANCE DEAR. THE CAP SETTLEMENT IN MARCH HAD BEEN BAD ENOUGH, BUT THE BUDGET DEAL AND THE NEW CONCESSIONS TO GERMAN FARMERS MADE ANOTHER BLACK DAY FOR EUROPE. HOWEVER, LES ECHOS (BUSINESS DAILY), COMMENTING ON THIS STATEMENT, POINTS OUT WITH SOME FORCE THAT, WHATEVER THE CONCERNS OF FRENCH FARMERS ABOUT GERMAN COMPETITION AND ENLARGEMENT, THE ABSENCE OF A BUDGET SETTLEMENT WOULD HAVE HAD MUCH WORSE FINANCIAL CONSEQUENCES FOR THEM.

FRETWELL

E C BUDGET

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PS

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