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Foreign and Commonwealth Office

London SW1A 2AH

28 November 1985

Dear Charles,

CR
20/11

European Council

Thank you for your letter of 26 November enclosing a message to the Prime Minister from M. Santer. I enclose an informal translation.

M. Santer's message is the customary eve of European Council letter addressed to all participants by the Presidency. The letter shows every sign of being an attempt to steer a course between the sometimes conflicting views of all member states. It reflects our own wish to see progress on deregulation.

As regards the monetary issues, the Foreign Secretary recommends that when he sees M. Santer in Luxembourg on Friday he should again register, on the Prime Minister's behalf, our opposition to incorporating in the Treaty any reference to the EMS or to EMU, and draw attention to Chancellor Kohl's views on the subject.

I am copying this letter to Rachel Lomax (HM Treasury), John Mogg (Department of Trade and Industry) and David Williamson (Cabinet Office).

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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INFORMAL TRANSLATION OF A LETTER FROM THE LUXEMBOURG PRIME
MINISTER TO THE PRIME MINISTER

Madam Prime Minister

A few days in advance of our meeting at the European Council, and following the example of my predecessors in this role, I should like to give you, in exercise of my temporary functions as Chairman of the European Council, a brief account of how the Presidency envisages the shape of the meeting of Heads of State or Government on 2/3 December.

It is clear that the time initially set aside for the European Council is not sufficient to deal comfortably with the tasks which we took on at Milan unless our deliberations can stretch to three half days. I therefore propose to start our meeting on Monday 2 December at 10.30am in order to conclude it early in the afternoon of the following day, Tuesday 3 December.

It is evident that the greater part of our work must be devoted to the examination of the results of the Inter-governmental Conference.

Before starting our discussion on the results of the Conference we shall hear oral communications from the President of the Commission and we shall be able to make preliminary comments on:

1. The main themes of the Annual Economic Report 1985-86 "A strategy of cooperation for growth and employment" (document of 17 October 1985 which has been given a first reading by Economic and Finance Ministers).

2. First results of studies on the strengths and weaknesses of European economies:

- competitiveness
- possibilities for growth
- lack of job creation.

(Following the request of the Milan European Council of June 1985)

3. The creation of a more favourable environment for the creation and development of small and medium enterprises (following the request of the Brussels European Council of March 1985).

4. An interim report on the means of reinforcing the efficacy of job markets, including specific action for expanding employment (following the request of the Brussels European Council of March 1985).

The international situation will lead us, in addition, to devote part of our time, in parallel with Foreign Ministers, to an exchange of views on the world situation, from the stand-point of the views as well as the positions which we shall have to adopt as representatives of the entity that is Europe.

In accordance with the wish expressed at Milan the Inter-governmental Conference has produced a certain number of texts designed to complete or adapt the present Treaty.

A considerable amount of work has been done. I nevertheless share the anxiety of a number among you who have already expressed to me their concern that the substance of these changes fulfil our initial ambitions only very imperfectly, and especially the expectations raised by the Conference, notably at the European Parliament.

The Presidency is all the more determined to ensure that the compromises which are emerging on a certain number of points will not only not be unravelled, but in the last resort might also be improved.

Amendment of the Treaty, and the formulation in Treaty terms of our common objectives in Political Cooperation, as well as the means and procedures which we will apply to this end, must at least cover the following chapters:

- internal market
- monetary dimension
- internal coherence of the policies of the Community and of its means of action
- reinforcement of Community institutions, notably through a real increase in the powers of the European Parliament
- juridical framework for cooperation in the fields of technology and research
- action in the environment field.

I am not unaware of the difficulties presented by a precise and operational long term reference to the affirmation of the monetary dimension, and I know that there is already unanimous agreement to respect existing arrangements [literally "internal balances"] in member states as regards the organisation of powers and competence in monetary matters.

Reforming and supplementing the Treaty would without doubt lose considerable credibility if the Conference were not at least to recall our great objective of achieving economic and monetary union, and were not to refer to the existence of the European Monetary System, as well as to the role and future of the ecu.

Everything, in effect, hangs together. The absence of significant results on one point can lead to meagre results on others. At the opposite extreme a resolutely ambitious attitude would promote without doubt the attainment of stimulating objectives, which would constitute a point of departure for a new phase in the essential adaptation of economies and attitudes to the conditions of a Europe grasping its future role.

The Presidency will submit to the European Council a summary document whose political nature I beg you to take into consideration. Discussion of the document by the European Council, and approval of its broad approach, would give a framework for the conclusions of the Conference.

It is possible that the conclusions of the European Council will require further examination of a technical or juridical nature. When this is done, account could be taken of certain contributions to the work of the Conference, which it has not been possible to fit in to the work leading up to the meeting of the European Council. There would however be no question of reopening discussion on the agreements reached at the European Council.

Foreign Ministers could be invited under the auspices of the Conference to bring the work that has been done rapidly to a conclusion during the two or three weeks following the meeting of the European Council and could then, as representatives plenipotentiary of the governments of member states, sign the set of acts which will constitute the results of the Conference.

The European Council has been able in recent years to contribute definitively to the solution of some difficult problems by committing its own political authority. The presence among us of the Prime Ministers of Portugal and Spain bears witness to the successful conclusion of the negotiations for the accession of these two countries. Now the time has come to commit ourselves to defining tomorrow's Community and to giving it the legal and institutional means which would enable it to fulfil the role which

we and our peoples desire.

[Polite close]

Jacques Santer