



ROYAL NETHERLANDS EMBASSY

LONDON

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20 June, 1986

Sir,

I have the honour to send you enclosed advance copy of a letter which the Prime Minister of the Netherlands is writing to Prime Minister Margaret Thatcher today.

The enclosures mentioned in the text will be presented later. Copies of these enclosures have already been sent to your Permanent Mission to the European Communities in Brussels.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'L.W. Veenendaal'.

L.W.Veenendaal
Chargé d'Affaires a.i.

The Right Honourable
Sir Geoffrey Howe, QC, MP
etc., etc., etc.,

Advance copy

Letter from Mr Ruud Lubbers, Prime Minister of the Netherlands and President of the European Council, to the members of the European Council:

On 26 and 27 June the European Council will be meeting in The Hague. It will be the first time that the Council has met since we decided to reduce the frequency of our meetings to two per year. In my view, we are right not to interrupt work in the first half of 1986 by holding our customary meeting in March. Now, however, the time has come to review the state of affairs as regards the main areas of concern of the Community and of European Political Cooperation and to look ahead to the developments which we hope to initiate during the forthcoming period.

In keeping with the informal character of our consultations, there will not be any formal agenda and you are naturally free to raise whatever points you consider useful and desirable. I for my part would like to give priority to the following subjects.

The social and economic situation

I would suggest that at the beginning of the meeting we should look at the social and economic situation in the Community, which was recently discussed by the Council of Ministers (Ecofin), when it was concluded that policies designed to bring about structural recovery should be continued. We could consider both short-term economic factors and structural elements. Of particular relevance here are factors which affect economic growth and employment, including the role of small and medium-sized businesses, deregulation, improvements in the labour market and developments as regards the provision of venture capital. The President of the European Commission has agreed to comment briefly on the various subjects, for which I would refer you to the enclosed memorandum from the commission (annex).

In our discussions concerning the social and economic situation we certainly cannot ignore the urgent question of unemployment, in which connection I would request special attention for the position of those, both young and old, who are in danger of joining the ranks of the long-term unemployed. The Presidency has circulated a document on this subject with which I assume that you will be familiar. I would also refer to a document on employment which was recently tabled by the United Kingdom, Italy and Ireland.

While dealing with this item on the agenda I should also like to give Mr Delors the opportunity to comment on the proposals which the Commission has recently made on the general liberalisation of capital transactions. The Council of Ministers (Ecofin) has underlined the importance of these proposals, not only on account of the intrinsic merits of liberalisation but also with a view to the realisation of the

internal market and the strengthening of the European Monetary system.

The internal market

We are all agreed that the completion of the internal market is an important factor in the restoration and preservation of economic growth in the Community and that it should also provide the basis for the technological cooperation which will enable us to catch up with our main competitors on world markets. The progress which has been made in the past six months is by no means insubstantial, but it is clear that decision-making needs to be speeded up and that much work still remains to be done. In my view it is therefore essential to provide fresh political impetus, at least if we intend to take the objective for 1992 seriously. The Presidency and the European Commission have drawn up concise discussion papers summarising the present state of affairs with regard to the internal market (annexes).

In my view, while discussing this item on the agenda we should also consider the liberalisation of trade in services and transport (inland transport, shipping and air transport) fields in which it seems to me that too little progress has been achieved. Technological cooperation also deserves our attention in this context, as I have the impression that there is a serious danger of loss of impetus here. In this connection we should also consider the question of public purchasing, with regard to which I would refer to a memorandum recently submitted to the Council of Ministers (Industry) by the Presidency. We shall also be able to hear about the work which has been done by the Council of Ministers (Ecofin) towards removing fiscal barriers at borders. In my view, fundamental decisions need to be taken on this in the near future if we are to achieve the objectives set for 1992.

A people's Europe

In the same context I should also like to raise what has been achieved for the people's Europe since our last meeting, by way of implementation of the Adonnino report. Here too, it is my impression that fresh political impetus is needed. Short memoranda describing the present state of affairs have been made available to you by the Presidency and the European Commission (annexes).

Agriculture in an international context

It is my hope that, important though these subjects are, we shall be able to discuss them in a relatively short space of time, so that at the end of the afternoon session on Thursday 26 June we can start to discuss what I regard as a very complex subject: the development of agricultural policy in the longer term and in an international context. Unless I am mistaken, we all recognise that there is cause for concern here.

The fact that the Council of Ministers (Agriculture) reached agreement at the end of April and that the Council of Ministers (General Affairs) had adopted a unanimous position

on the conflict which is in danger of arising with the USA and approved the general approach to the forthcoming GATT-round shows that there is a large measure of consensus within the Community. On the basis of this consensus it is important to examine the structural problems in agriculture, both in Europe itself and in relation to the other world trading partners, including, not least, those in the Third World.

These issues have been discussed in such fora as the meeting of industrialised countries in Tokyo, at which the Community was represented. The participants in this meeting agreed that in serious cases of surpluses, measures should be taken to redirect policy and adjust the structure of agricultural production in the light of world demand. In my view, it is necessary to strengthen discipline within GATT, to conduct international consultations and to take coordinated action to adjust agricultural policy. In doing so we must not of course lose sight of the considerable importance of the common agricultural policy to the rural population and to the community as a whole.

In order to facilitate the discussions, the Presidency and the European Commission have drawn up discussion papers, which are enclosed (annexes).

Policy after Chernobyl

An important subject which likewise requires our attention is the consequences of the nuclear reactor accident in the Soviet Union. In this connection the European Commission has prepared a document which we can use in our discussions (annex). During our talks we should also consider the work of the International Atomic Energy Agency in Vienna, where the Community could make a major contribution to decision-making.

In view of the repercussions which the nuclear accident has had throughout the Community and outside it, it seems very important that the European Council should seriously discuss the many aspects involved, notably public health, the environment, safety, procedures for crises, international action and research. Mobilisation of action by the Community and the member states, both internally and externally, seems to me worthy of our full consideration.

Drugs

At some point during our meeting I should also like to raise the issue of drug abuse, which affects our societies so radically. Consultative bodies already exist in this field and are working well; we should not impede or duplicate their activities. Rather I would envisage that the member states might play an active part in these wider fora, where possible with support from the Community. In particular I should like to see active and mutually coordinated preparations for and contributions to the UN conference to be held in Vienna in the first half of 1987.

Human rights

I should also be glad if we could devote attention to the importance of human rights in our external relations and look at how we can elaborate a common policy in this field during the period ahead. Perhaps our discussions might result in a joint declaration, which, as you know, is a matter which is still being discussed within the framework of political cooperation.

European Political Cooperation

I suggest that our discussions of this item should concentrate on the situation in South Africa and on East-West relations.

In view of the rapidly deteriorating situation in South Africa and against the background of the disappointing result of the Commonwealth Eminent Persons Group, we should consult as to how we are to send a clear political signal to the South African government following our joint measures of September 1985.

Discussions of the East-West situation should take place in the context of the important meetings scheduled for the next six months, notably within the framework of the CSCE.

I look forward to seeing you in The Hague in a few days time and to the opportunity of holding intensive discussions within the framework of the European Council.

The Hague, 20 June 1986