

RESTRICTED  
FM LUXEMBOURG  
TO IMMEDIATE FCO  
TELNO 219  
OF 121826Z JUNE 89  
INFO IMMEDIATE UKREP BRUSSELS  
INFO ROUTINE EUROPEAN COMMUNITY POSTS

FRAME GENERAL  
FOLLOWING FROM UKREP BRUSSELS  
FOREIGN AFFAIRS COUNCIL, 12 JUNE : PREPARATION FOR EUROPEAN COUNCIL

## SUMMARY

1. PRESIDENCY ANNOUNCE THEIR PLANS ON LINES ALREADY ANNOUNCED IN COREPER. YOU SET OUT OUR OVERALL POSITION ON MAIN ITEMS. NO OTHER COMMENTS APART FROM A BRIEF STATEMENT BY THE GERMANS.

## DETAIL

2. FERNANDEZ ORDONEZ (PRESIDENCY) SAID IT WAS HOPED THAT THE USUAL LETTER FROM THE CHAIRMAN OF THE EUROPEAN COUNCIL WOULD REACH CAPITALS BY 21 JUNE. IT COULD NOT BE DONE EARLIER BECAUSE IT WAS NECESSARY TO WAIT FOR THE OUTCOME OF ECOFIN ON 19 JUNE. HE OUTLINED THE AGENDA ON THE LINES ON WHICH WESTENDORP HAD ALREADY SPOKEN IN COREPER: THE TWO MAIN WORKING SESSIONS WOULD CONCENTRATE ON TWO MAIN SUBJECTS: EMU AND THE SOCIAL DIMENSION. ON EMU THE OBJECTIVE WAS TO TAKE FORWARD THE WORK STARTED AT HANOVER IN THE LIGHT OF THE DELORS REPORT. THE ECOFIN COUNCIL WOULD LOOK AT THE MATTER FIRST AND IT WOULD BE NECESSARY TO DECIDE ON OPERATIONAL STEPS IN THE LIGHT OF THE SUGGESTIONS IN THE DELORS REPORT. EXPECTATIONS WERE HIGH BOTH AT A POPULAR LEVEL AND FROM THE FINANCIAL COMMUNITY

3. ON THE SOCIAL DIMENSION DISCUSSION WAS LIKELY TO COVER THE COMMISSION'S PROPOSAL FOR A SOCIAL CHARTER AND THE CONCLUSIONS OF THE SOCIAL AFFAIRS COUNCIL. THE EUROPEAN COUNCIL WOULD ALSO HAVE ON THE TABLE A PAPER ON THE SOCIAL INTEGRATION OF IMMIGRANTS AND A COMPARATIVE STUDY OF WORKING CONDITIONS IN THE COMMUNITY. OTHER SUBJECTS TO BE DISCUSSED WERE: MIDDLE INCOME DEBTORS AND THE ENVIRONMENT, IN PARTICULAR THE COMMISSION'S PROPOSAL FOR A EUROPEAN ENVIRONMENTAL AGENCY. OTHER POINTS TO BE COVERED IN THE CONCLUSIONS WERE : INTERNAL MARKET, FRONTIERS, AUDIO VISUAL, RESEARCH, CITIZEN'S EUROPE AND EXTERNAL RELATIONS (EFTA, URUGUAY ROUND, ACP AND RELATIONS WITH EASTERN BLOC). THERE WOULD BE A SYNTHESIS PAPER ON EASTERN EUROPE PREPARED BY COREPER AND THE POLITICAL DIRECTORS. HE ADDED THAT

GONZALEZ WOULD BE MEETING ALL HIS COLLEAGUES TO PREPARE FOR THE COUNCIL.

4. YOU SAID THAT WE HOPED THE ACHIEVEMENTS OF THE FIRST SPANISH PRESIDENCY WOULD BE CROWNED BY A POSITIVE OUTCOME IN MADRID. WITH SENSITIVE HANDLING THIS WOULD BE POSSIBLE BUT WE MUST AVOID ABSOLUTISM AND CONCENTRATE ON IDENTIFYING AREAS FOR PRACTICAL COOPERATION. YOU EMPHASISED THE IMPORTANCE OF KEEPING UP THE MOMENTUM ON THE SINGLE MARKET AND THE NEED TO PRESS ON WITH EG TRANSPORT LIBERALISATION, PUBLIC PROCUREMENT AND FINANCIAL SERVICES.

5. YOU SAID WE LOOKED FORWARD TO A THOROUGH DEBATE ON THE DELORS REPORT WHICH WOULD BRING OUT THE POLITICAL AS WELL AS THE ECONOMIC IMPLICATIONS. WE FOUND THE REPORT A MOST USEFUL KEY TO THE QUESTIONS WHICH HAD TO BE ADDRESSED. IT BROUGHT OUT THAT PRE-CONDITIONS FOR EMU INCLUDED GENUINE FREE COMPETITION AND CONVERGENT INFLATION RATES, GROWTH RATES AND FISCAL POLICIES. THIS WAS CLEARLY NOT FOR TOMORROW. THE REPORT CONTAINED SOME ANSWERS WHICH WOULD NEED VERY CAREFUL THOUGHT. DID WE ALL AGREE THAT MONETARY POLICY DECISIONS IN AN EMU SHOULD BE TAKEN BY OPERATORS QUITE INDEPENDENT OF MINISTERIAL POLITICAL GUIDANCE AND CONTROL? THE REPORT ALSO RAISED THE IMPORTANT QUESTION OF THE NEED FOR OFFICIAL FLOWS OF RESOURCE TRANSFERS FROM RICHER TO POORER MEMBER STATES. IT WAS BECAUSE OF THE NEED FOR CAREFUL STUDY AND DISCUSSION OF SUCH POINTS THAT THERE COULD BE NO QUESTION OF A RUSH DECISION ON STAGES II AND III AND ON TREATY AMENDMENT. HENCE OUR DIFFICULTY WITH PARAGRAPH 39. ON THE OTHER HAND, REAL AND INDEED RAPID PROGRESS WAS POSSIBLE ON STAGE I AND A DECISION TO THAT EFFECT COULD BE TAKEN IN MADRID. WE WERE LOOKING CAREFULLY AT THE CONCLUSIONS FROM LAST MONTH'S INFORMAL ECOFIN AND BELIEVED THEY MIGHT POINT TO THE RIGHT WAY AHEAD.

6. ON THE SOCIAL DIMENSION - NOT ''SOCIAL SPACE'' - WHAT WAS NEEDED WAS AN ORIENTATION DEBATE. DISCUSSION WAS JUST BEGINNING AT TODAY'S SOCIAL AFFAIRS COUNCIL AND WE SHOULD AVOID JUMPING TO PREMATURE CONCLUSIONS. WE NEEDED TO BE CLEAR WHAT WE WERE TRYING TO ACHIEVE AT COMMUNITY LEVEL. FULL HARMONISATION OF NATIONAL LAW AND PRACTICE IN THE SOCIAL FIELD WAS NOT NECESSARY FOR THE SINGLE MARKET AND INDEED NEW REGULATION COULD UNDERMINE THE LIBERALISATION THRUST OF THE 1992 PROGRAMME AND PREVENT THE NEW GROWTH WHICH WOULD BRING NEW JOBS. NOR WOULD IT BE CONSISTENT WITH THE DOCTRINE OF SUBSIDIARITY. THE SIGNIFICANT DIFFERENCES BETWEEN MEMBER STATES' TRADITIONS COULD NOT BE DISGUISED. SO A PAUSE FOR REFLECTION WAS REQUIRED. THE UK COULD NOT ACCEPT A SOCIAL CHARTER ON THE LINES OF THE COMMISSION DRAFT BUT WE DID OF COURSE ACCEPT THAT THERE MUST BE

A SOCIAL DIMENSION FOR 1992. THE NEED WAS TO ASSERT BOTH COMMON COMMITMENT TO THE SOCIAL MARKET AND THE VALIDITY OF DIVERSITY OF NATIONAL APPROACHES. THE DOCTRINE OF SUBSIDIARITY WAS PARTICULARLY IMPORTANT IN THE SOCIAL FIELD.

7. WE WERE CONTENT FOR THE REMAINING TOPICS TO BE HANDLED IN THE CONTEXT OF DISCUSSION OF THE CONCLUSIONS ON THE MORNING OF 27 JUNE, IN PARTICULAR FRONTIERS ON WHICH YOU WELCOMED THE VALUABLE WORK AT THE COORDINATORS GROUP, TAXATION ON WHICH USEFUL PROGRESS WAS BEING MADE AND AUDIOVISUAL ON WHICH WE WERE LOOKING AHEAD TO DISCUSSION UNDER THE FRENCH PRESIDENCY. WE MIGHT WISH TO RAISE FRAUD, DEPENDING ON PROGRESS AT ECOFIN ON 19 JUNE.

8. MRS ADAM-SCHWAETZER (FRG) SAID SHE WOULD NOT GO OVER THE AGENDA IN DETAIL. SHE WOULD HAVE LIKED TO SEE IN DEPTH DISCUSSION IN THE FOREIGN AFFAIRS COUNCIL ON THE DELORS REPORT BUT THIS WOULD HAVE REQUIRED MORE PREPARATION THAN HAD TAKEN PLACE. IT WAS A PITY THAT THE SOCIAL AFFAIRS MINISTERS HAD NOT GOT FURTHER IN THEIR DISCUSSION OF THE SOCIAL DIMENSION. THE MADRID EUROPEAN COUNCIL SHOULD HAVE AN IMPORTANT ROLE IN DETERMINING THE MEASURES STILL NEEDED TO MAKE THE SINGLE MARKET OPERATIONAL. GOOD PROGRESS HAD BEEN MADE ON TECHNICAL SUBJECTS, TO WHICH ALL PRESIDENCIES, INCLUDING THE GERMANS, HAD CONTRIBUTED. WHAT WAS NEEDED NOW WAS TO BRING ALL THIS WORK TOGETHER AND TO GIVE AN IMPETUS IN AREAS WHICH WERE LAGGING BEHIND. PARALLEL PROGRESS WAS NEEDED IN SUCH AREAS AS THE SOCIAL DIMENSION AND EMU. THIS SHOULD BE THE MESSAGE OF MADRID.

9. FERNANDEZ ORDONEZ TOOK NOTE OF THE INTERVENTIONS MADE. THERE WAS NO FURTHER DISCUSSION.

10. UKREP BRUSSELS DIST : HEAD OF CHANCERY/FULL.

CAMPBELL

YYYY

DISTRIBUTION 354

MAIN 353

.FRAME GENERAL ECD (I)

ADDITIONAL 1

FRAME

PAGE 3  
RESTRICTED

NNNN