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(COLLAR)

LUXEMBOURG AND THE MADRID EUROPEAN COUNCIL

SUMMARY

1. SANTER AND POOS WILL REPRESENT A CARETAKER GOVERNMENT. THEY COULD USE THIS EXCUSE IF PRESSED TO GO FURTHER THAN THEY WISH, ESPECIALLY ON EMU, BUT IT IS NOT A MAJOR INHIBITION. THEY AIM ONLY FOR PROCEDURAL DECISIONS ON THE DELORS REPORT AND FOR A COMMUNIQUE SETTING OUT THE AREAS IN WHICH FURTHER WORK SHOULD BE DONE IN THE SOCIAL FIELD. LUXEMBOURG POPULAR OPINION IS INCREASINGLY CAUTIOUS ON EUROPEAN ISSUES.

DETAIL

POLITICAL BACKGROUND

2. PRIME MINISTER SANTER AND FOREIGN MINISTER POOS WILL ATTEND AS MEMBERS OF A CARETAKER GOVERNMENT. BUT SANTER, WHO MUST BE QUITE PLEASED WITH HIS OWN PERSONAL ELECTORAL SHOWING, IS SURE OF HEADING THE NEXT GOVERNMENT, PROBABLY AGAIN WITH THE SOCIALISTS. HIS FREEDOM OF ACTION WILL NOT THUS BE MUCH INHIBITED, THOUGH HE MIGHT CONCEIVABLY USE THE CARETAKER STATUS AS AN ARGUMENT FOR AVOIDING UNWELCOME COMMITMENTS.

3. EUROPE WAS NOT A MAJOR ISSUE IN LUXEMBOURG'S NATIONAL ELECTIONS AND THE EUROPEAN ELECTIONS WERE UNIVERSALLY REGARDED AS A SIDE-SHOW. BUT THE ENTRY INTO THE RACE OF NATIONALIST PARTIES (SOME OVERTLY ANTI-EUROPEAN) AFFECTED THE CAMPAIGN OF ALL THE THREE MAJOR PARTIES. FOR THE FIRST TIME ALL ELECTION POSTERS WERE IN LUXEMBOURGISH AND USED THE NATIONAL COLOURS. THOUGH THE EXTREMIST THREAT WAS AVERTED, ALL LUXEMBOURG POLITICIANS ARE AWARE OF A NEW CAUTION IN PUBLIC ATTITUDES TOWARDS THE COMMUNITY. THIS HAD ITS ORIGIN IN THE COMMISSION'S PROPOSALS ON TAX AND VOTING IN LOCAL ELECTIONS. ACCORDING TO EURO-BAROMETER FIGURES QUOTED IN 'EUROPE' OF 27 MAY THOSE IN LUXEMBOURG 'STRONGLY AGAINST' EUROPEAN UNIFICATION ROSE FROM 10 TO 14 PERCENT IN 6 MONTHS, WHEREAS ONLY 38 PERCENT OF LUXEMBOURGERS NOW SEE THE SINGLE MARKET AS POSITIVE FOR THEMSELVES - COMPARED WITH 45 PERCENT IN THE UK.

4. SANTER IS HOLDING A FINAL MEETING TOMORROW TO PREPARE HIS POSITION FOR MADRID BUT THE MAIN LINES ARE ALREADY CLEAR AND HAVE BEEN DISCUSSED IN MEETINGS BETWEEN BENELUX MINISTERS OF SOCIAL AND FOREIGN AFFAIRS. THE FOLLOWING ASSESSMENT IS BASED ON A STATEMENT BY POOS TO COMMUNITY AMBASSADORS AT A PRESIDENCY LUNCH LAST WEEK AND ON PRIVATE BRIEFINGS AT THE MFA AND MINISTRY OF LABOUR. I HAVE ARRANGED A FURTHER BRIEFING FROM THE MINISTRY OF FINANCE ON THURSDAY AND WILL REPORT AS NECESSARY.

DELORS REPORT

5. AS SANTER MADE CLEAR IN LONDON LAST MONTH, LUXEMBOURG HAS NO QUALMS ABOUT ENDORSING THE ULTIMATE AIM OF EMU WHICH WAS HALLOWED BY WERNER. BUT THE GOVERNMENT IS STRONGLY OPPOSED TO EMBARKING ON AN INTER-GOVERNMENTAL CONFERENCE OR TREATY AMENDMENT NOW. SANTER HIMSELF ADMITTED IN LONDON THAT THE LUXEMBOURG CHAMBER OF DEPUTIES WOULD NOT APPROVE THE TRANSFER OF SOVEREIGNTY REQUIRED FOR DELORS STAGES 2 AND 3. THIS HAS CERTAINLY NOT CHANGED. NOR IS LUXEMBOURG READY TO BUY DELORS' DEFINITION OF STAGES 2 AND 3 (WHICH POOS DESCRIBED AS A CAT IN A BAG), OR THE PROPOSITION THAT ACCEPTANCE OF STAGE 1 IMPLIES COMMITMENT TO THEM TOO. AT MADRID SANTER AND POOS WILL WORK FOR A PROCEDURAL DECISION TO REMIT THE REPORT FOR FURTHER STUDY WITH A VIEW TO A DECISION IN PARIS TO IMPLEMENT STAGE 1, INCLUDING IF POSSIBLE UK MEMBERSHIP OF THE ERM.

6. LUXEMBOURG MINISTERS ARE VERY ANXIOUS TO AVOID ISOLATION OF THE UK WHICH THEY SEE AS THEIR BEST FRIEND IN THE COMMUNITY ON ISSUES OF GREAT CONCERN TO THEM. THEY ARE FIRMLY OPPOSED TO A TWO-TIER COMMUNITY.

SOCIAL CHARTER

7. LUXEMBOURG FAVOURS SETTING COMMUNITY NORMS IN THE SOCIAL FIELD, BOTH BECAUSE THIS WOULD FIT THEIR OWN PRACTICE AND BECAUSE THEY FEAR SOCIAL DUMPING. BUT IN THE MINISTRY OF LABOUR AT LEAST THERE IS A GOOD DEAL OF SCEPTICISM ABOUT THE DRAFT SOCIAL CHARTER, MUCH OF WHICH IS REGARDED AS PHRASE-MAKING AND SOME ASPECTS AS OBJECTIONABLE (E.G. THE REFERENCE TO IMPROVING CONDITIONS FOR CROSS-FRONTIER WORKERS WHICH IN THEIR OWN CASE THEY THINK ARE ALREADY VERY GOOD). THE MINISTRY WANTS PROGRESS ON SPECIFIC DIRECTIVES, INCLUDING THE DRAFTS ALREADY ON THE TABLE.

8. SANTER AND POOS ARE MORE DRAWN TO A FORMAL DECLARATION. POOS TOLD COMMUNITY AMBASSADORS THAT THERE SHOULD BE A SOCIAL CHARTER SETTING MINIMUM STANDARDS AT WHICH MEMBER STATES WHICH HAD NOT SUCH

PROTECTION SHOULD AIM. HE DID NOT LOOK FOR FORMAL DECISIONS AT MADRID BUT RATHER FOR A COMMUNIQUE IDENTIFYING AREAS IN WHICH FURTHER WORK SHOULD BE DONE. WHEN I COMMENTED THAT LUXEMBOURG SEEMED TO BE LOOKING FOR A CENTRALISED COMMUNITY SOCIAL POLICY WHICH SAT ODDLY WITH THEIR GENERAL PREFERENCE FOR A COMMUNITY ALLOWING MAXIMUM SCOPE FOR NATIONAL DIVERSITY, POOS REPLIED THAT THE SOCIAL CHARTER WOULD BE VERY FLEXIBLE ESTABLISHING PRINCIPLES RATHER THAN ABSOLUTE STANDARDS AND THAT HE DID NOT SEE IT AS IDEALOGICAL. HE ADDED THAT MEMBER STATES SHOULD NOT BE REQUIRED TO UPSET THEIR PATTERN OF SOCIAL/INDUSTRIAL RELATIONS.

COMMENT

8. THERE IS OBVIOUS SCOPE FOR WORKING WITH THE LUXEMBOURGERS ON THE DELORS REPORT. IT SHOULD BE WORTH SOME TROUBLE TO KEEP ALONGSIDE THEM. THERE IS MUCH LESS COMMON GROUND ON THE SOCIAL CHARTER.

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