

CONFIDENTIAL

FM MADRID
TO DESKBY 211230Z FCOLN
TELNO 630
OF 211100Z JUNE 89
AND TO IMMEDIATE UKREP BRUSSELS
AND TO PRIORITY EC POSTS

*Madrid
agenda*

MIPT

1. FOLLOWING IS TRANSLATION OF LETTER FROM FELIPE GONZALEZ TO PRIME MINISTER, DATED 21 JUNE 1989:

BEGINS

"DEAR PRIME MINISTER,

IN A FEW DAYS I WILL HAVE THE PLEASURE OF RECEIVING YOU IN MADRID ON THE OCCASION OF THE EUROPEAN COUNCIL.

THE MADRID SUMMIT WILL TAKE PLACE AT A PARTICULARLY IMPORTANT TIME IN THE LIFE OF THE COMMUNITY. WE ARE, IN FACT, AT THE HALFWAY POINT BETWEEN ADOPTION OF THE SINGLE EUROPEAN ACT AND THE OBJECTIVE OF 1992. MOREOVER, THE THIRD DIRECT ELECTIONS TO THE EUROPEAN PARLIAMENT HAVE JUST TAKEN PLACE WHICH CONFIRM THE VITALITY OF THE PROJECT FOR THE CONSTRUCTION OF EUROPE AND WHICH PROMPT A SERIOUS REFLECTION ON HOW TO RESPOND TO THE ASPIRATIONS OF OUR CITIZENS. FINALLY, MAJOR CHANGES ARE TAKING PLACE IN THE INTERNATIONAL CONTEXT - IN WHICH THE COMMUNITY HAS AN INCREASINGLY IMPORTANT ROLE TO PLAY - WHICH GIVE US RENEWED HOPE FOR THE FUTURE.

IT SEEMS TO ME, THEREFORE, THAT THIS IS A GOOD MOMENT TO DISCUSS SOME FUNDAMENTAL ISSUES TO WHICH WE MUST GIVE PRIORITY.

I THINK WE MUST PAY SPECIAL ATTENTION TO ECONOMIC AND MONETARY UNION, IN ACCORDANCE WITH THE DECISION THAT WE TOOK IN HANOVER TO ESTABLISH THE DELORS COMMITTEE. I ALSO THINK THAT PROGRESS MADE IN THE IMPLEMENTATION OF THE SINGLE EUROPEAN ACT MEANS THAT WE MUST DISCUSS THE RATE AT WHICH THE WHITE BOOK ON THE INTERNAL MARKET IS BEING PUT INTO EFFECT, AS WELL AS THE SOCIAL DIMENSION OF THE COMMUNITY. FINALLY, WE MUST LOOK AT OTHER ASPECTS OF THE APPLICATION OF THE SINGLE EUROPEAN ACT AND THE CONDUCT OF THE TWELVE IN THE INTERNATIONAL SPHERE.

ALL THESE SUBJECTS WILL REQUIRE APPROPRIATE POLITICAL ORIENTATION BY

Appointed banks?!!

THE EUROPEAN COUNCIL.

*as there
difficult*

FIRST, WE MUST REMEMBER THAT, IN POLITICAL TERMS, A DECISION MUST NOW BE MADE REGARDING ECONOMIC AND MONETARY UNION. THIS REQUIREMENT IS NOT JUST A CONSEQUENCE OF OUR HANOVER AGREEMENT, BUT ALSO OF OUR COMMITMENT, EXPRESSED IN THE SINGLE EUROPEAN ACT, TO THE PRINCIPLE OF ECONOMIC AND MONETARY UNION. THIS QUESTION MUST BE DISCUSSED IN DEPTH, AND THE PRESIDENCY THEREFORE PROPOSES TO ALLOW AS MUCH TIME AND ATTENTION FOR IT AS NECESSARY. FOR THIS REASON, WE WILL START DISCUSSION OF THIS SUBJECT ON THE FIRST DAY, AFTER WE HAVE RECEIVED LORD PLUMB, PRESIDENT OF THE EUROPEAN PARLIAMENT. I HOPE THAT OUR DISCUSSION WILL ALLOW SUBSTANTIAL PROGRESS TO BE MADE.

WE WILL THEN DISCUSS THE SOCIAL DIMENSION OF THE EC. THE RAPID PROGRESS MADE TOWARDS COMPLETION OF THE INTERNAL MARKET HAS ALREADY GIVEN RISE TO DEBATE IN ALL MEMBER STATES WHICH CLEARLY SHOWS THAT WE MUST ALSO MAKE PROGRESS IN THIS FIELD. IT IS POLITICALLY NECESSARY TO RESPOND TO THE CONCERNS EXPRESSED ABOUT THE FUTURE SHAPE OF THE COMMUNITY. I TRUST THAT WE WILL BE ABLE TO REACH AGREEMENT ON A SUFFICIENTLY CLEAR MESSAGE - BASED ON WHAT IS UNDOUBTEDLY A COMMON HERITAGE OF LABOUR RELATIONS AND SOCIAL RIGHTS OF OUR COUNTRIES - ALTHOUGH WE MAY ENCOUNTER SOME DIFFICULTIES AS TO HOW TO PUT IT INTO EFFECT. I INTEND TO SPEND THE NECESSARY TIME ON THIS SUBJECT, WHICH WILL BE THE SECOND IMPORTANT ITEM ON OUR AGENDA.

THERE IS A THIRD ISSUE OF GREAT INTERNATIONAL SENSITIVITY THAT MUST BE DISCUSSED: THE INDEBTEDNESS OF A CERTAIN NUMBER OF MIDDLE-INCOME COUNTRIES. WE CANNOT ALLOW OUR MEETING TO PASS WITHOUT ADDRESSING THIS ISSUE. WE ARE ALL AWARE THAT, ESPECIALLY IN LATIN AMERICA, THERE IS A LINK BETWEEN THE SURVIVAL OF STABLE DEMOCRACY AND A MEANS TO ENABLE THOSE COUNTRIES TO OVERCOME THEIR CURRENT ECONOMIC AND FINANCIAL DIFFICULTIES. I THINK IT MOST DESIRABLE THAT THE TWELVE AGREE A COMMON POSITION ON THE EVE OF THE DISCUSSIONS OF THIS SUBJECT AT THE FORTHCOMING SUMMIT OF THE MOST INDUSTRIALISED NATIONS.

MY INTENTION IS THAT WE DISCUSS THIS OVER DINNER, TOGETHER WITH ACTION BY THE TWELVE ON AN INTERNATIONAL LEVEL - BOTH IN TERMS OF THE COMMUNITY AND OF POLITICAL COOPERATION.

I HAVE ALSO MENTIONED THAT IT WOULD BE ADVISABLE TO REFER TO OTHER ISSUES WITHIN THE CONTEXT OF THE IMPLEMENTATION OF THE SINGLE EUROPEAN ACT. IN ACCORDANCE WITH PAST PRACTICE, THE PRESIDENCY WILL PRESENT CONCLUSIONS ON CERTAIN POINTS, WHICH WILL REITERATE THE

GENERAL NEED TO SUPPORT AND STRENGTHEN CURRENT MOMENTUM. I THINK THESE POINTS SHOULD INCLUDE THE FOLLOWING:

- AN ASSESSMENT OF THE IMPLEMENTATION TO DATE OF THE WHITE BOOK ON THE INTERNAL MARKET. I SUGGEST THE COMMISSION BE ASKED TO PRESENT THE PROPOSALS THAT ARE STILL OUTSTANDING AS SOON AS POSSIBLE, SO THAT THE 1992 OBJECTIVE CAN BE REAFFIRMED.
- WITH REGARD TO TAX ON SAVINGS, I SHOULD LIKE TO EMPHASISE THE NEED FOR THE COMMUNITY AND MEMBER STATES TO TAKE THE NECESSARY ACTION TO ENSURE THAT FRAUD AND TAX EVASION ARE TACKLED, PARTICULARLY WHEN THE REGULATIONS LIBERALISING CAPITAL MOVEMENTS COME INTO FORCE.
- WITH REGARD TO AUDIOVISUAL SUBJECTS WE COULD INDICATE WHAT PROGRESS HAS BEEN MADE SO FAR AND ALSO REFER TO THE 'ASSISES' WHICH WILL TAKE PLACE IN FRANCE NEXT AUTUMN.
- WITH REGARD TO THE FREE MOVEMENT OF PERSONS WE SHOULD EXPRESS OUR SUPPORT FOR THE REPORT OF THE COORDINATORS' GROUP (PALMA DE MALLORCA DOCUMENT), AND GIVE A POLITICAL COMMITMENT TO THE APPLICATION OF THE PLAN OF ACTION WHICH IT ESTABLISHED.
- ON ENVIRONMENTAL ISSUES, THE CONCLUSIONS SHOULD REITERATE THE PARTICULAR INTERNAL AND INTERNATIONAL RESPONSIBILITY OF THE COMMUNITY AND RECORD RECENT ACHIEVEMENTS. IN THIS CONTEXT, PRESIDENT DELORS WILL PRESENT US WITH THE COMMISSION'S IDEAS ON THE POSSIBILITY OF CREATING A EUROPEAN ENVIRONMENTAL AGENCY.
- ON THE SUBJECT OF RESEARCH, WE SHOULD REVIEW THE CURRENT POSITION AND EMPHASISE THE IMPORTANCE OF THE COUNCIL'S WORK IN REVIEWING THE FRAMEWORK PROGRAMME.
- FINALLY, THE PRESIDENCY BELIEVES THAT WE SHOULD GIVE A FURTHER POLITICAL IMPULSE TO THE 'CITIZENS' EUROPE'. PROGRESS MADE SO FAR CANNOT BE CONSIDERED SATISFACTORY. WE SHOULD ASK THE COUNCIL, WITH THE COOPERATION OF THE COMMISSION, TO MAKE AN INVENTORY OF WHAT REMAINS TO BE DONE, IN ORDER TO IMPLEMENT THE ADONNINO REPORT AND ADOPT OPERATIONAL CONCLUSIONS.

THE PRESIDENCY IS ALSO PREPARING CONCLUSIONS ON THE MAIN AREAS OF THE EXTERNAL RELATIONS OF THE EEC, WHICH WILL EMPHASISE PROGRESS MADE AND ALSO OUR POLITICAL SUPPORT FOR CERTAIN LINES OF ACTION. WE SHALL CONCENTRATE ON TOPICS OF GREATEST CURRENT INTEREST (EFTA,

EASTERN EUROPE, THE URUGUAY ROUND, ACP, ETC). WE SHALL ALSO DEAL WITH THE MAIN ISSUES OF EUROPEAN POLITICAL COOPERATION, WHICH WILL HAVE BEEN PREPARED BY THE FOREIGN MINISTERS, PAYING PARTICULAR ATTENTION TO THE MIDDLE EAST.

THE POINTS REFERRED TO IN THE TWO PREVIOUS PARAGRAPHS RELATING TO THE IMPLEMENTATION OF THE SINGLE EUROPEAN ACT AND EXTERNAL RELATIONS SHOULD NOT POSE ANY PARTICULAR DIFFICULTIES, AND WE COULD THEREFORE DEAL WITH THEM ON THE SECOND DAY WHEN WE DISCUSS THE CONCLUSIONS.

I LOOK FORWARD TO SEEING YOU IN MADRID.

YOURS VERY SINCERELY,

SIGNED FELIPE GONZALEZ MARQUEZ''
ENDS.

GORDON LENNOX

YYYY

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Foreign and Commonwealth Office

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23 June 1989

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On

Dear Charles,

European Council, Madrid: Gonzalez Agenda Letter

/ Madrid telegram number 630 (copy enclosed) contains the expected letter from the Spanish Prime Minister. It is very much as Gonzalez indicated to the Prime Minister on 19 June.

Fraud does not feature on his list of Madrid topics. Good progress, however, was made in the ECOFIN discussion on 19 June: the requirement now is therefore not for a lengthy Madrid discussion of principles but rather for a punchy passage for the Conclusions, calling for the implementation of the necessary new measures as soon as possible. Since the Spanish have told us that they see no difficulty about including an appropriate passage, we need not challenge the omission in the agenda letter.

|| Sr Gonzalez seems to expect discussion of the Single Market only on the final morning. The Prime Minister might in practice wish to raise this on the first day, but there seems no reason to signal that in advance.

On Debt, Sr Gonzalez, not unexpectedly, wants a higher profile discussion than we do. But there should be firm opposition from G7 members at Madrid to any substantive move, eg a common EC position that would commit Paris Summit participants. We shall particularly wish to resist anything which admits EC competence on debt.

Copies of this letter and enclosure go to the Private Secretaries to Members of OD(E) and to Roger Lavelle at the Cabinet Office.

John ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
PS/10 Downing Street



BRITISH EMBASSY.
MADRID.

23 June 1989

C D Powell Esq
Private Secretary
The Ritz Hotel
Madrid

CD
26/6.

Dear Charles,

... I enclose the original of Felipe Gonzalez' letter of 21 June to the Prime Minister setting out the agenda for the European Council, together with our translation (as sent in Madrid telno 630 of 21 June).

Yours ever
I A

I A Roberts