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OF 242050Z OCTOBER 90
INFO IMMEDIATE EUROPEAN COMMUNITY POSTS, WASHINGTON, UKMIS GENEVA
INFO IMMEDIATE UKDEL NATO, MOSCOW

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FRAME GENERAL

EUROPEAN COUNCIL: ROME: 27/28 OCTOBER 1990 : EC ISSUES

1. IT IS NOW CLEAR THAT THE ITALIAN PRESIDENCY WANT TO CONCENTRATE DISCUSSION AT THE MAIN (SATURDAY) WORKING SESSION ON THE TWO IGCS AND ON THE SOVIET UNION/EASTERN EUROPE, WITH THE GULF (AND OTHER INTERNATIONAL ISSUES) TACKLED OVER DINNER, AND THE CSCE AND TRANS-ATLANTIC RELATIONS LEFT TO FOREIGN MINISTERS. FOLLOWING THE FAC, DISCUSSION OF GERMAN UNIFICATION IS NO LONGER THOUGHT NECESSARY.

2. THE PROBLEM WITH THIS AGENDA IS THE APPARENT ABSENCE OF ANY PROVISION FOR DISCUSSION OF GATT AGRICULTURE IF THE COUNCIL ON 26 OCTOBER FAILS TO UNBLOCK THE ISSUE. BOTH COMMISSION AND PRESIDENCY FEAR THAT SUCH A DISCUSSION WOULD BE UNPRODUCTIVE, AND A DISTRACTION FROM THE IGC ISSUES. BUT SINCE THE PROBLEM IS KOHL, IT MAKES SENSE TO SEIZE THE CHANCE TO TRY TO SHIFT HIM. MOREOVER, FOR THE COMMUNITY'S LEADERS TO CONCENTRATE ON FUTURE IGC ISSUES AND IGNORE THE BIGGEST CURRENT EC PROBLEM WOULD NEITHER SUIT US NOR BE READILY UNDERSTOOD IN THE WIDER WORLD. I THEREFORE RECOMMEND THAT WE SIGNAL IN ADVANCE THAT WE BELIEVE SUBSTANTIVE SUMMIT DISCUSSION WILL BE ESSENTIAL IF THE 26 OCTOBER COUNCIL FAILS. (A RAPID REPLY ON THESE LINES TO THE ANDREOTTI AGENDA LETTER, WHEN RECEIVED, MIGHT IMPROVE THE PROSPECTS OF SUCCESS ON 26 APRIL, PARTICULARLY IF CIRCULATED TO ALL.)

3. EMU. CARLI'S REPORT ON THE ECOFIN WORK IS REASONABLY OBJECTIVE AND FAIRLY REFLECTS THE UK POSITION. BUT THERE MAY BE PRESSURE FROM THE PRESIDENCY AND THE COMMISSION FOR SUBSTANTIVE CONCLUSIONS WHICH:

(I) DECLARE THAT FULL AND ADEQUATE PREPARATION HAS NOW BEEN COMPLETED (NOT TRUE : SEE CARLI REPORT) :

(II) NOTE CONSENSUS OF ELEVEN ON THE FINAL OBJECTIVE OF A SINGLE CURRENCY AND MONETARY POLICY (TRUE : SEE CARLI REPORT) :

(III) ACCORDINGLY INVITE THE PRESIDENCY TO TABLE OUTLINE PROPOSALS FOR TREATY AMENDMENT BEFORE ROME II IN DECEMBER (THEY WILL, WHETHER INVITED OR NOT) :

(IV) SET 1 JANUARY 1994 AS THE DATE FOR THE START OF STAGE 2.

4. IT PLAINLY MAKES NO SENSE TO CALL FOR COMMITMENT TO A FIRM START-DATE BEFORE DETERMINING STAGE II'S CONTENT. BUT MOST MEMBER STATES (INCLUDING THE DUTCH AND SPANISH) SEEMS READY TO ACCEPT A JANUARY 1994 TARGET (IE NO COMMITMENT) ON THE EXPLICIT ASSUMPTIONS THAT THE DEBATE ON CONTENT WOULD IN THE INTERIM BE SETTLED, AND VARIOUS PRECONDITIONS (EG THOSE PROPOSED BY THE DUTCH) MET. WE WILL PRESUMABLY WISH TO ARGUE FOR HARD ECU/EMF AFTER STAGE I. ON PRESENT FORM IT SEEMS UNLIKELY THAT WE SHALL BE PRESSED ON (II).

5. ON POLITICAL UNION, THE PAPER BY SPECIAL REPRESENTATIVES, FORWARDED BY THE FAC, IS LITTLE MORE THAN A LIST OF IDEAS SUGGESTED BY MEMBER STATES (OURS ARE ALL IN). SOME ARE QUITE UNREALISTIC FOR AN 'SEA BIS'. BUT, UNLIKE THE EUROPEAN PARLIAMENT, ALL - AND THE COMMISSION - IN FACT ACKNOWLEDGE THAT AN 'SEA BIS' IS ALL THAT IS AFOOT, AND THAT THE IGC - UNLIKE THE EMU ONE - WILL NOT BE WORKING ON THE 'FINAL STAGES' OF UNION : JUST ON ONE STEP, PRIMARILY DESIGNED TO PROMOTE EFFICIENCY. (SOME MEMBER STATES OF COURSE EITHER GENUINELY WANT THE NEXT STEP TO BE A LARGE ONE, OR WISH TO HAVE IT BOTH WAYS, ARGUING FOR A LARGE ONE WHILE RELYING ON OTHERS (EG THE UK) TO ENSURE IT STAYS SMALL).

6. THE KEY ISSUES FOR DISCUSSION IN ROME ARE LIKELY TO BE THE FOREIGN POLICY DIMENSION : THE QUESTIONS OF COMPETENCE, QM VOTING, AND SUBSIDIARITY : AND 'DEMOCRATIC LEGITIMACY' - WHICH FOR MOST MEANS MORE EP POWER, THOUGH THE IMPORTANCE OF THE ROLE OF NATIONAL PARLIAMENTS IS NOW MORE WIDELY ACKNOWLEDGED. NONE OF THESE ARE RIPE FOR DECISIONS : A UK PRESCRIPTION FOR FURTHER ANALYSIS SHOULD HAVE CONSIDERABLE SUPPORT (AS THE FAC DEBATE SHOWED), AND IT IS CONVENIENT THAT THE COMMISSION'S (UNHELPFUL) PAPER WAS TABLED ONLY AFTER THE FAC. THE PRESIDENCY MAY NEVERTHELESS SEEK A MANDATE TO DRAFT AN IGC MANDATE, (FOR WHICH THERE IS NO CONSTITUTIONAL REQUIREMENT), AND WE SHALL NEED TO WATCH OUT FOR DRAFT CONCLUSIONS LANGUAGE COMMITTING THE DECEMBER

EUROPEAN COUNCIL TO ADOPT ONE.

7. SOVIET UNION. THE DUBLIN DEBATE ON IMMEDIATE BALANCE OF PAYMENTS SUPPORT FOR MOSCOW WILL NOT, ON PRESENT FORM, BE SERIOUSLY RENEWED THIS WEEKEND : CERTAINLY THE COMMISSION ARE NOT READY TO RETURN TO THE CHARGE, THOUGH THEY MAY IN DECEMBER. WE SHALL PRESUMABLY WISH TO ENCOURAGE THEM TOWARDS SELECTIVE HELP, PARTICULARLY IN THE ENERGY SECTOR, WITH THE FOCUS ON TECHNICAL ASSISTANCE, OPENING UP OPPORTUNITIES FOR WESTERN PRIVATE SECTOR INVESTMENT, AND EXPANSION OF COOPERATION UNDER THE EXISTING COMMUNITY/SOVIET UNION AGREEMENT (ON WHICH PRESIDENT MITTERRAND MAY SURFACE IDEAS, PERHAPS ALSO SUGGESTING AN EC/SOVIET 'DECLARATION' TO FOLLOW THE EC/US AND EC/CANADA TEXTS.)

8. THE CASE FOR BALANCE OF PAYMENTS SUPPORT FOR THE EASTERN EUROPEANS, HARD HIT BY THE OIL PRICE RISE WHICH HAS EASED SOVIET PROBLEMS, WILL HOWEVER BE RAISED. THE COMMISSION WILL PROBABLY ARGUE FOR A NEW FINANCIAL FACILITY, SEPARATE FROM THE IFIS, WITH A LARGE COMPONENT OF EC MONEY, AND PERHAPS G24-SUPERVISED. WE SHOULD NOT BE ALONE IN ARGUING FOR THE IMF ROUTE, BUT THE US VOLTE-FACE OVER A G24 ROLE IS NOT HELPFUL.

9. ON THE SEATS OF THE INSTITUTIONS, NO-ONE (INCLUDING DE MICHELIS, ERSBOELL AND WILLIAMSON) SEEMS CLEAR ABOUT ANDREOTTI'S INTENTIONS. ALL THE INDICATIONS ARE THAT HIS PROPOSED PACKAGE HAS NOT BEEN SUCCESSFULLY PRE-SOLD IN BILATERAL CONTACTS: IF HE TABLES IT UNAMENDED FAILURE SEEMS CERTAIN.

10. FINALLY, IT SEEMS UNLIKELY THAT MITSOTAKIS WILL LET THE EUROPEAN COUNCIL PASS WITHOUT REVERTING TO THE ISSUE OF EMERGENCY EC FINANCIAL ASSISTANCE FOR GREECE. HE WILL PRESUMABLY POINT OUT THAT HIS PROBLEMS ARE WORSENERD BY THE GULF CRISIS. PLAINLY ANY BILL PRESENTED IN ROME SHOULD BE DIVERTED TO THE MONETARY COMMITTEE, BUT IT MIGHT BE WORTH DRAWING A DISCREET LINK WITH THE NEED FOR GREECE TO LIFT ITS BLOCK ON PAYMENTS TO TURKEY UNDER THE FOURTH FINANCIAL PROTOCOL : A TACTFUL WAY OF DOING SO MIGHT BE TO NOTE MITSOTAKIS' AGREEMENT TO EC EMERGENCY AID TO EGYPT/JORDAN/TURKEY. (POPOULIAS APPEARED TO HINT AT THE FAC THAT A SHIFT IN GREEK POLICY ON THE PROTOCOL WAS ON THE CARDS.)

11. CONCLUSION. APART FROM GATT, THE MOST CONTENTIOUS ISSUES ARE THE IGC ONES. WE SHALL OBVIOUSLY WISH TO DIRECT ATTENTION TO EXTERNAL ISSUES. BUT WE CANNOT ARGUE THAT THERE IS NOTHING ON THE IGCs THAT NEED BE DISCUSSED, FOR POLITICAL UNION PREPARATIONS

This is what Attali feared

(BEGUN AFTER DUBLIN I) ARE MILES BEHIND EMU PREPARATIONS (BEGUN AFTER HANOVER : JUNE 1988), AND ON MONETARY UNION THE UNRESOLVED ISSUES ARE THE BIG ONES. THE FACT HOWEVER IS THAT THERE IS NO OPERATIONAL REQUIREMENT FOR DECISIONS THIS WEEKEND : ON THE CONTRARY, THE NEED IS FOR MORE FAC/ECOFIN WORK. THOUGH LUXEMBOURG AND THE NETHERLANDS (THE 1991 PRESIDENCIES WHO WOULD HAVE TO PICK UP THE BITS) ARE LIKELY TO TRY TO RESTRAIN THEM, THE RISK IS THAT THE ITALIAN PRESIDENCY NEVERTHELESS RUSH THEIR FENCES.

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