

PRIME MINISTER

EUROPEAN COUNCIL IN ROME

You will be attending the European Council in Rome at the weekend. It is set to be a fairly trying occasion. The Council itself begins at 1830 on Saturday evening. The Italian Presidency plan to start by discussing preparations for the two IGCs and assistance to the Soviet Union and Eastern Europe. They envisage breaking for dinner at 2200 and continuing discussion of the Gulf and other international issues over dinner which is likely to finish very late. The Sunday morning will be devoted to examining the conclusions of the Council.

You went through the main issues with the Foreign Secretary tonight: and have written to Signor Andreotti insisting that provision be made for discussion of the GATT negotiations if necessary.

Taking the subjects in order:

Political Union

There is a dreadful mish-mash of ideas in the Presidency's report: plans for a common foreign policy, extended Community competence, more majority voting, greater powers for the European Parliament and all sorts of undesirable schemes. There is even a provision for future transfer of powers from Member States to the Community without Treaty amendment! Luckily, there is no intention to reach other than procedural conclusions at this meeting, although we shall have to watch them like a hawk to be sure that no attempt is made to pre-empt the outcome of the IGC.

Sovereignty You will want to stress the importance of the principle of subsidiarity: the need to focus on greater efficiency in the Community's work and more accountability in the way it spends money. You will also want to underline that there is no alternative to continuing to operate by consensus on foreign policy.

Economic and Monetary Union

I suggest that you do not dwell too much on the British Parliamentary aspects, which are of limited interest to other European countries, but try to exploit the unease which exists among several Governments about the practicality of moving rapidly towards EMU, and in particular the heavy financial costs. You will want to explain again the advantages of our approach: and make clear that we are not ready to accept a single currency (ideally using the Chancellor's formula). The main danger is of an attempt to ambush by setting a starting date for stage 2 of EMU. You will want to point out the absurdity of agreeing to start something on a fixed date before you know what that something is. On the procedural side you will want to ensure that Finance Ministers take the lead in the IGC on EMU.

Soviet Union and Eastern Europe

We are unlikely to be under great pressure on the Soviet Union since the Commission's ideas seem quite sensible. But it is possible they will propose a new financial facility for Eastern Europe, with a large contribution of EC money. You will certainly want to oppose this and ask why on earth we founded the EBRD if it is not going to be used.

The Gulf

We shall need a strong statement of continuing EC solidarity and firmness.

Trans-Atlantic relations

Foreign Ministers are to finalise EC/US and EC/Canada declarations.

GATT

What happens on this depends on the outcome of tomorrow's joint Trade and Agriculture Ministers meeting in Luxembourg. If there is still no agreement, you will want to stress the damage done to the Community's reputation and to its trading relations with the rest of the world.

Sites of the Community institutions

It now seems unlikely that Andreotti will table proposals on

this.

Greek loan

It is all too likely that Mitsotakis will renew his plea for financial assistance for Greece. This is something for the Monetary Committee to consider. But you will want to take the opportunity to invite Greece to lift its block on payments to Turkey under the fourth Financial Protocol.

I attach:

- the bidding letter from Andreotti;
- a telegram from John Kerr;
- a note from the Chancellor;
- a full set of briefs which I have not yet had time to mark up properly.

R. Lingham

CHARLES POWELL
25 October 1990

*Signed on behalf of Mr Powell
in his absence*

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