

PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

You have a bilateral with the Foreign Secretary tomorrow afternoon, the first for some time. Since you discussed Gulf issues very thoroughly with him and the Defence Secretary only yesterday, we might leave these aside at the bilateral. There are three main issues to be dealt with.

European Council in Rome

You will want to have a talk with him about our tactics for the European Council in Rome. Basically, you will want to ensure that full attention is given to current issues - since this is an exceptional Council - rather than focus just on preparations for the two Inter-Governmental Conferences. The particular subjects you wish to see covered are the Gulf, the situation in the Soviet Union and Eastern Europe, the GATT negotiations and South Africa. Indeed you want to use the GATT negotiations - assuming no solution is found by Trade and Agriculture Ministers on Friday - to direct attention to the protectionist conduct of the Germans and their attitude towards issues of crucial importance to the United States. You will not be popular, but it needs to be done.

All that said, there is bound to be significant discussion of preparations for the two IGCs. You are unlikely to have much difficulty with the political union one: the Presidency seem to envisage simply taking note of the Foreign Ministers' (unsatisfactory) report, and asking for further work to be done for December. You will want to take the opportunity to put firmly on record our views of what political union is not: challenge the reaction of ambitions to develop common foreign and security policy: and stress the need to help Europe open to the countries of Eastern Europe. You might also needle Delors about his reported comments on a Federal Europe, in which the Commission is the executive, the European Parliament the legislature and the Council of Ministers the senate. (I suppose we are lucky to be there at all!)

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The discussion on Economic and Monetary Union will be more difficult. The Italian Presidency clearly intend to argue that preparation for the IGC are complete. They may go beyond this and try an ambush, such as getting a commitment to start the second stage of EMU on 1 January 1994 (although Delors is opposed to this now, preferring to wait until December). If the Presidency do this, it can be no more than a political commitment by eleven Member States with no legal basis. The wider tactical question which you face is whether you want on this occasion to come out with a clear 11:1 split: or use it instead to try to build some tactical alliances with those Governments - and there are quite a few - who have misgivings about the practical aspects of the Delors plan, even if they are prepared to subscribe to the distant objective of a single currency. I would see a lot of advantage in trying to increase the divisions amongst Member States at this meeting, by focusing on the technical weaknesses of the Delors proposals, and on the absurdity of grandiose master plans for EMU instead of proceeding in the light of experience. I think this way you could end up with the Council reflecting much more disparate views than the 11:1 split which some other Community members would like to see.

State Visit by President Gorbachev

The Foreign Secretary wants to sound you out on whether Gorbachev should be a candidate for a State Visit in 1991.

Ambassador to South Africa

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(CHARLES POWELL)

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