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INFO ROUTINE EAST EUROPEAN POSTS, MOSCOW, ISLAMIC POSTS
INFO SAVING UKMIS GENEVA, CANBERRA, WELLINGTON, NEW DELHI
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FRAME GENERAL

SPECIAL EUROPEAN COUNCIL, ROME, 27/28 OCTOBER

SUMMARY

1. POSITIVE MESSAGES ON THE GULF AND HUNGARY. DISAPPOINTING OUTCOME ON GATT. UK UNWILLING TO PRE-EMPT IGC NEGOTIATIONS ON EMU AND POLITICAL UNION.

DETAIL

(A) GENERAL

2. YOU SHOULD BE GUIDED BY THE PRIME MINISTER'S STATEMENT TO THE HOUSE ON 30 OCTOBER (VS 55/90). THE FOLLOWING MAY BE DRAWN ON FREELY AS NECESSARY.
3. THIS WAS NOT A ONE-SUBJECT SUMMIT. THERE WERE SATISFACTORY OUTCOMES FOR THE UK ON THE GULF AND ON EASTERN EUROPE (THE BRINGING FORWARD OF THE COMMUNITY LOAN FOR HUNGARY WAS AT UK INSTIGATION). THE OUTCOME ON GATT WAS IRRESPONSIBLE, AS HAS BEEN WIDELY ACKNOWLEDGED. ON THE IGCS, POSTS SHOULD REFUTE APOCALYPTIC INTERPRETATIONS OF THE SUMMIT: THE PRIME MINISTER MADE CLEAR TO PARLIAMENT ON 30 OCTOBER THAT BRITAIN INTENDS TO BE PART OF THE FURTHER POLITICAL, ECONOMIC AND MONETARY DEVELOPMENT OF THE EUROPEAN COMMUNITY. ONCE DETAILED NEGOTIATIONS BEGIN IN THE IGCS, WE BELIEVE THAT THE COMMUNITY WILL WANT AND BE ABLE TO GO FORWARD AS TWELVE: THAT WILL BE OUR OBJECTIVE.
4. A NUMBER OF EC GOVERNMENTS HAVE EXPRESSED REGRET AT THE WAY THE PRESIDENCY HANDLED THE COUNCIL. FOR EXAMPLE, LUXEMBOURG PRIME MINISTER SANTER SAID, QUOTE IT IS NEVER PLEASANT TO SEE A PARTNER ISOLATED BECAUSE AT THE END OF THE DAY NO SOLUTION IS POSSIBLE WITHOUT UNANIMOUS CONSENT . . TO REJOICE AT SEEING ELEVEN COUNTRIES AGREED AGAINST ONE IS DEMAGOGY UNQUOTE.

(B) GATT

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5. DESPITE OUR EFFORTS (WITH LIMITED SUPPORT FROM THE DUTCH), THERE WAS LITTLE SERIOUS DEBATE ON GATT AGRICULTURE. RATHER THAN TAKE A DECISION ITSELF TO TABLE THE EC'S OFFER, THE COUNCIL ASKED MINISTERS (IN PRACTICE TRADE AND AGRICULTURE MINISTERS) TO REACH AN AGREEMENT ENABLING THE OFFER TO BE TABLED. THE COUNCIL FAILED TO SET A DATE FOR A MEETING BUT THE PRESIDENCY HAS SINCE CONVENED AN AGRICULTURE COUNCIL (WITH TRADE MINISTERS) FOR 5 NOVEMBER. THE FRENCH AND GERMAN POSITIONS WILL BE PIVOTAL. THE PRESIDENCY WILL BE CONSULTING THEM AND SOME OTHERS BILATERALLY IN ADVANCE OF THE 5 NOVEMBER COUNCIL. THE UK CONTINUES TO SUPPORT TABLING THE COMMISSION'S DRAFT OFFER, UNAMENDED AND PREFERABLY WITHOUT A SEPARATE DECLARATION. THE SUCCESS OF THE ROUND IS ALREADY IN JEOPARDY. GIVEN THE POTENTIAL BENEFITS TO THE EC OF A SUCCESSFUL OVERALL AGREEMENT, THE STUBBORNNESS OF PARTNERS IN PROTECTING SECTORAL NATIONAL INTERESTS IS A TRAGEDY IN THE MAKING.

(C) GULF CRISIS

6. THE STATEMENT ISSUED BY THE COUNCIL IS A FURTHER EXAMPLE OF INTERNATIONAL COHESION IN THE FACE OF IRAQ'S AGGRESSION. IT UNDERLINES THE FAILURE OF IRAQ'S WEDGE-DRIVING TACTICS, PARTICULARLY OVER ITS TREATMENT OF FOREIGN HOSTAGES. GOVERNMENTS ARE COMMITTED NOT TO SEND REPRESENTATIVES IN ANY CAPACITY TO NEGOTIATE THE RELEASE OF FOREIGN HOSTAGES WITH IRAQ, AND TO DISCOURAGE OTHERS FROM DOING SO.

(D) EASTERN EUROPE

7. A SMOOTH DISCUSSION IN WHICH THE UK PLAYED A LEADING AND POSITIVE ROLE. ANOTHER OPPORTUNITY TO UNDERLINE THE COMMUNITY'S STRONG SUPPORT FOR ECONOMIC AND POLITICAL REFORM IN EASTERN EUROPE. THE COUNCIL ALSO RECOGNISED THOSE COUNTRIES' PARTICULAR FINANCIAL DIFFICULTIES. BUT THE CONSENSUS REMAINED THAT THE IMF SHOULD HAVE THE LEAD IN ASSISTING MACRO-ECONOMIC REFORM. THE HUNGARIAN GOVERNMENT MADE A PLEA FOR EMERGENCY AID. AT UK INITIATIVE, THE COUNCIL AGREED TO ACCELERATE DISBURSEMENT OF THE SECOND TRANCHE OF THE EC/HUNGARY MEDIUM TERM LOAN (TOTAL DOLLARS 1 BN).

(E) POLITICAL UNION

8. THE PRESIDENCY CONCLUSIONS INDICATED A NUMBER OF AREAS WHERE FURTHER WORK WAS NEEDED BEFORE THE IGC. BUT THE PRIME MINISTER AND I MADE CLEAR, AS I DID AT PREVIOUS MEETINGS OF FOREIGN MINISTERS, THAT IT WOULD BE WRONG TO SEEK TO PRE-EMPT THE IGC ITSELF, NOT LEAST GIVEN THE DUBLIN CONCLUSION THAT THE IGC WOULD SET ITS OWN AGENDA. WHERE THE PRESIDENCY CONCLUSIONS SOUGHT TO DRAW CONCLUSIONS WHICH MIGHT PREJUDICE IGC DEBATE, WE THEREFORE DECIDED TO ENTER RESERVES IN THE TEXT. THE DETAILED REASONS FOR

THIS WERE GIVEN IN FCO TELNO 328 TO UKREP BRUSSELS (NOW REPEATED TO OTHER EC POSTS ONLY).

9. THIS WILL NOT, HOWEVER, PREVENT THE UK FROM CONTINUING TO PLAY A FULL AND POSITIVE PART IN PREPARATIONS FOR AND AT THE IGC. WE HAVE MADE PROPOSALS FOR STRENGTHENING EPC, IMPROVING FINANCIAL ACCOUNTABILITY AND ENSURING COMPLIANCE WITH COMMUNITY LAW. WE WILL BE DEVELOPING OUR THINKING ON SUBSIDIARITY (THE IMPORTANCE OF WHICH WE HAVE CONSISTENTLY STRESSED) AND ON THE ROLE OF NATIONAL PARLIAMENTS, WHICH SHOULD BE MORE CLOSELY INVOLVED IN THE EC PROCESS. WE SHALL, HOWEVER, CONTINUE TO OPPOSE PROPOSALS WHICH WOULD UNDERMINE THE FUNDAMENTAL BALANCE BETWEEN THE COMMUNITY INSTITUTIONS, AND PARTICULARLY THE POSITION OF THE COUNCIL.

(F) ECONOMIC AND MONETARY UNION

10. YOU SHOULD DRAW ATTENTION TO THE POSITIVE LINE IN THE CONCLUSIONS TEXT DESCRIBING THE UK POSITION. WE MADE CLEAR IN ROME THAT WE WOULD BE READY TO MOVE BEYOND STAGE 1 WITH THE CREATION OF THE HARD ECU AND A EUROPEAN MONETARY FUND. BUT WE COULD NOT ACCEPT THE DEFINITION OF STAGE 3 SET OUT IN THE CONCLUSIONS, NOR A START-DATE FOR STAGE 2 IN THE ABSENCE OF AGREEMENT ON ITS CONTENTS.

11. WE SHALL CONTINUE TO ARGUE FOR OUR EVOLUTIONARY, MARKET-BASED APPROACH IN THE RUN-UP TO THE IGC. THERE ARE A NUMBER OF SIMILARITIES BETWEEN THE UK APPROACH AND THOSE OF THE SPANISH, DUTCH AND OTHERS. THE REFERENCE IN THE CONCLUSIONS TO THE FURTHER STRENGTHENING AND DEVELOPMENT OF THE ECU DURING THE TRANSITIONAL PHASE DEMONSTRATES THE RELEVANCE OF THE UK'S PROPOSALS. THE PRIME MINISTER CONFIRMED IN THE HOUSE ON 30 OCTOBER THAT, IF IN DUE COURSE PEOPLE AND GOVERNMENTS CHOSE TO USE THE HARD ECU WIDELY, IT COULD EVOLVE TOWARDS A SINGLE CURRENCY. BUT OUR NATIONAL CURRENCY WOULD REMAIN UNLESS OTHERWISE DECIDED BY FUTURE GENERATIONS OF PARLIAMENT AND PEOPLE.

(G) OTHER SUBJECTS

12. THE EUROPEAN COUNCIL ALSO DISCUSSED:

- EC/SOVIET UNION: THE STEAM HAS (TEMPORARILY) GONE FROM ITALIAN/GERMAN EFFORTS TO AGREE EARLY LARGE-SCALE FINANCIAL ASSISTANCE. THE COMMISSION SENSIBLY LIMITED ITSELF TO AN INTERIM REPORT ON THE SOVIET ECONOMY AND MADE NO PROPOSALS. THE COUNCIL FOCUSED ON THE SCOPE FOR TECHNICAL COOPERATION AND REQUESTED COMMISSION PROPOSALS BEFORE DECEMBER FOR A MAJOR AGREEMENT. WE SEE THIS AS AN EXTENSION OF THE CURRENT TRADE AND COOPERATION AGREEMENT. THE COUNCIL ENDORSED THE IMPORTANCE OF CLOSE COOPERATION WITH THE IFIS AND OTHER COUNTRIES INVOLVED IN

SUPPORT FOR SOVIET REFORM.

- TRANSATLANTIC RELATIONS: OFFICIAL LEVEL DISCUSSION OF THE DRAFT EC/US AND EC/CANADA DECLARATIONS MADE SOME PROGRESS AT ROME. SOME POINTS STILL NEED TO BE RESOLVED WITHIN THE COMMUNITY AND WITH THE US AND CANADA. THE PRESIDENCY WILL DISCUSS TEXTS AGAIN WITH THE US AND CANADA BEFORE RE-SUBMITTING TO MINISTERS AT 12 NOVEMBER FAC. THE DUAL EXERCISE IS PROBABLY STILL ON TRACK FOR SIGNATURE AT THE 19 NOVEMBER PARIS CSCE SUMMIT.

- CSCE: THE COUNCIL APPROVED WITHOUT DISCUSSION AN UNCONTENTIOUS FACTUAL STATEMENT DESCRIBING THE ORIENTATION OF THE COMMUNITY AND MEMBER STATES FOR THE PARIS CSCE SUMMIT (19-21 NOVEMBER). THIS TEXT WAS A RADICALLY PRUNED VERSION OF AN EARLIER PRESIDENCY DRAFT WHICH WOULD HAVE UNACCEPTABLY PREJUDGED NEGOTIATIONS STILL UNDERWAY IN THE VIENNA PREPARATORY COMMITTEE.

- ARAB/ISRAEL CONFLICT: WE ARE PLEASED WITH THE SEPARATE DECLARATION ISSUED ON ARAB/ISRAEL. IT ACCURATELY REFLECTS UK CONCERNS.

13. I SHALL BE MAKING A SPEECH ON UK POLICY TOWARDS EUROPE TO THE CBI IN GLASGOW ON 5 NOVEMBER. INSTRUCTIONS FOR POSTS WILL FOLLOW SEPARATELY.

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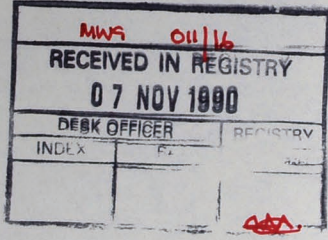
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FRAME GENERAL

SPECIAL EUROPEAN COUNCIL, ROME, 27/28 OCTOBER

SUMMARY

1. Positive messages on the Gulf and Hungary. Disappointing outcome on GATT. UK unwilling to pre-empt IGC negotiations on EMU and Political Union.

DETAIL

(A) GENERAL

2. You should be guided by the Prime Minister's statement to the House on 30 October (vs 55/90). The following may be drawn on freely as necessary.

3. This was not a one-subject Summit. There were satisfactory outcomes for the UK on the Gulf and on Eastern Europe (the bringing forward of the Community loan for Hungary was at UK



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1 instigation). The outcome on GATT was irresponsible, as has
2 been widely acknowledged. On the IGCs, posts should refute
3 apocalyptic interpretations of the Summit: the Prime Minister
4 made clear to Parliament on ~~29~~³⁰ October that Britain intends to
5 be part of the further political, economic and monetary
6 development of the European Community. Once detailed
7 negotiations begin in the IGCs, we believe that the Community
8 will want and be able to go forward as Twelve: that will be our
9 objective.

10
11 4. A number of EC governments have expressed regret at
12 the way the Presidency handled the Council. For example,
13 Luxembourg Prime Minister Santer said, QUOTE it is never
14 pleasant to see a partner isolated because at the end of the day
15 no solution is possible without unanimous consent . . to rejoice
16 at seeing eleven countries agreed against one is demagogy
17 UNQUOTE.

18 (B) GATT

19 5. Despite our efforts (with limited support from the Dutch),
20 there was little serious debate on GATT Agriculture. Rather
21 than take a decision itself to table the EC's offer, the Council
22 asked Ministers (in practice trade and agriculture ministers) to
23 reach an agreement enabling the offer to be tabled. The Council
24 failed to set a date for a meeting but the Presidency has since
25 convened an Agriculture Council (with Trade Ministers) for
26 5 November. The French and German positions will be pivotal.
27 The Presidency will be consulting them and some others
28 bilaterally in advance of the 5 November Council. The UK
29 continues to support tabling the Commission's draft offer,
30 unamended and preferably without a separate Declaration. The
31 success of the Round is already in jeopardy. Given the
32 potential benefits to the EC of a successful overall agreement,
33 the stubbornness of partners in protecting sectoral national
34 interests is a tragedy in the making.

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Catchword: / (C) GULF CRISIS

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(C) GULF CRISIS

6. The statement issued by the Council is a further example of international cohesion in the face of Iraq's aggression. It underlines the failure of Iraq's wedge-driving tactics, particularly over its treatment of foreign hostages. Governments are committed not to send representatives in any capacity to negotiate the release of foreign hostages with Iraq, and to discourage others from doing so.

(D) EASTERN EUROPE

7. A smooth discussion in which the UK played a leading and positive role. Another opportunity to underline the Community's strong support for economic and political reform in Eastern Europe. The Council also recognised those countries' particular financial difficulties. But the consensus remained that the IMF should have the lead in assisting macro-economic reform. The Hungarian government made a plea for emergency aid. At UK initiative, the Council agreed to accelerate disbursement of the second tranche of the EC/Hungary medium term loan (total \$1 bn).

(E) POLITICAL UNION

8. The Presidency Conclusions indicated a number of areas where further work was needed before the IGC. But the Prime Minister and I made clear, as I did at previous meetings of Foreign Ministers, that it would be wrong to seek to pre-empt the IGC itself, not least given the Dublin Conclusion that the IGC would set its own agenda. Where the Presidency Conclusions sought to draw conclusions which might prejudice IGC debate, we therefore decided to enter reserves in the text. The detailed reasons for this were given in FCO telno 328 to UKRep Brussels (now repeated to other EC posts only).

9. This will not, however, prevent the UK from continuing to play a full and positive part in preparations for and at the IGC. We have made proposals for strengthening EPC, improving financial accountability and ensuring compliance with Community



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Catchword: / Law

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1 law. We will be developing our thinking on subsidiarity (the
2 importance of which we have consistently stressed) and on the
3 role of national parliaments, which should be more closely
4 involved in the EC process. We shall, however, continue to
5 oppose proposals which would undermine the fundamental balance
6 between the Community institutions, and particularly the
7 position of the Council.

9 (F) ECONOMIC AND MONETARY UNION

10 10. You should draw attention to the positive line in the
11 conclusions text describing the UK position. We made clear in
12 Rome that we would be ready to move beyond Stage 1 with the
13 creation of the hard ecu and a European monetary fund. But we
14 could not accept the definition of Stage 3 set out in the
15 Conclusions, nor a start-date for Stage 2 in the absence of
16 agreement on its contents.

17 11. We shall continue to argue for our evolutionary,
18 market-based approach in the run-up to the IGC. There are a
19 number of similarities between the UK approach and those of the
20 Spanish, Dutch and others. The reference in the Conclusions to
21 the further strengthening and development of the ecu during the
22 transitional phase demonstrates the relevance of the UK's
23 proposals. The Prime Minister confirmed in the House on 30
24 October that, if in due course people and governments chose to
25 use the hard ecu widely, it could evolve towards a single
26 currency. But our national currency would remain unless
27 otherwise decided by future generations of parliament and
28 people.

29 (G) OTHER SUBJECTS

30 12. The European Council also discussed:

31 - EC/Soviet Union: the steam has (temporarily) gone from
32 Italian/German efforts to agree early large-scale financial
33 assistance. The Commission sensibly limited itself to an
34 interim report on the Soviet economy and made no proposals. The

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Catchword: / Council

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Council focussed on the scope for technical cooperation and requested Commission proposals before December for a major agreement. We see this as an extension of the current Trade and Cooperation Agreement. The Council endorsed the importance of close cooperation with the IFIs and other countries involved in support for Soviet reform.

- Transatlantic relations: official level discussion of the draft EC/US and EC/Canada declarations made some progress at Rome. Some points still need to be resolved within the Community and with the US and Canada. The Presidency will discuss texts again with the US and Canada before re-submitting to Ministers at 12 November FAC. The dual exercise is probably still on track for signature at the 19 November Paris CSCE Summit.

- CSCE: the Council approved without discussion an uncontentious factual statement describing the orientation of the Community and member states for the Paris CSCE Summit (19-21 November). This text was a radically pruned version of an earlier Presidency draft which would have unacceptably prejudged negotiations still underway in the Vienna Preparatory Committee.

- Arab/Israel conflict: we are pleased with the separate declaration issued on Arab/Israel. It accurately reflects UK concerns.

13. I shall be making a speech on UK policy towards Europe to the CBI in Glasgow on 5 November. Instructions for posts will follow separately.

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