

File 95

ps. NWG 04/16

FROM: M A Arthur  
DATE: 31 October 1990

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cc: PS all Ministers  
 PS/PUS  
 Deputy Secretaries  
 Under Secretaries  
 Mr Parker,  
 Cabinet Office  
 Mrs Brown, Treasury  
 Mr Grant, UKRep  
 (by fax)

Mr Mower, News Department

**SPECIAL EUROPEAN COUNCIL**

1. The media reaction to the Rome European Council concentrated on the two IGCs, and UK isolation. The same theme is picked up today in the light of the Prime Minister's statement to the House.
- / 2. You may like to draw on the attached bull points (which Mr Garel-Jones has approved). Treasury have agreed the EMU passage.
- / 3. I also attach a selection of helpful comments in the European press.

M A Arthur  
European Community Department  
(Internal)

## BULL POINTS ON ROME

### General

- Despite media impression, EMU only one part of discussion. Overall atmosphere less divisive than it may seem.
- Very good Summit outcome on Gulf - robust and unified message.
- Excellent message too on Eastern Europe - the Hungary passage at UK instigation.
- Irresponsible outcome on GATT - as FT said, Council had mistaken priorities. Prime Minister battled hard for early EC position on cutting farm subsidies. Specialist Ministers to re-convene very soon. Everyone agreed she was right on substance - but France and Germany couldn't make the short-term political step. Must continue to keep pressure on them.

### IGC's general

- Both IGCs leave the blocks in December. Everyone now jockeying for pole position. But the races themselves will decide the outcome: hard battling on both subjects ahead.

### Political Union - Institutional Reform

- Dossier far less advanced than on monetary union.
- Political union is a misnomer. Debate will be about institutional reform, and the scope for a more concerted foreign and defence policy. Each member state has its views.
- Summit looked at a provisional collection of ideas for change. IGC will discuss which to take up, and which to drop. Menu inevitably wide - has to cater for federalist appetites as well as our own.
- Three key UK themes: Community should be (a) more efficient; (b) more effective; and (c) more accountable. We have made proposals on all three points.
- More UK ideas to come. Subsidiarity an important principle - should be in the Treaty. National parliaments should be more closely involved - but for parliaments to suggest how.
- There are maximalist calls for increasing Community competence and extending qualified majority voting. We do not agree on either score. No convincing case made out.
- We do not see the need for radical institutional change. Community institutions rose to the challenge of German unification - flexible, quick and effective response.
- Security. We want to strengthen European pillar within the Alliance. IGC must look at how we can help achieve this.
- Unanimity required to make any change to Treaty of Rome.

## BULL POINTS ON ROME

### EMU

- No decisions taken at Rome. Eleven member states put forward their ideas. We put forward ours.
- Eleven proposed a formula for Stage II and beyond. We have a good practical alternative which would allow the Community to move forward together. UK's proposals for hard ecu and European Monetary Fund on table for IGC.
- IGC will debate all this. All to play for in Stage II.
- Forget media hype and polarisation. Look at substance. UK ready to move beyond Stage I through creation of a new monetary institution and a common currency. This could evolve towards a single currency if people and governments so chose. We want decisions on substance before decisions on timing. The horse before the cart. If substance right, could happen quickly.
- Much common ground on substance - need for price stability; operational independence of monetary institution (with appropriate accountability); avoidance of excessive budget deficits, or monetary financing.
- At Rome, no one suggested creating a two-speed Europe. Would damage Community (think of message to US and Japan). Would damage us (think of blow to London as a financial centre).
- Task for IGC is to find common ground for us all to move forwards together. Rome conclusions simply mapped two alternative routes.

## Useful other European reactions on Rome

"The Prime Minister was quite right to condemn France for its obstructive attitude" (on GATT) (Liberation)

"With a country as important as the UK, the Twelve (SIC) will never lose patience" (Andreotti)

"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 . . . A useless summit and we will pay the consequences" (Santer, Luxembourg)

"The further one is from the realities, the easier the transition to a common [ie. single] currency appears" (Pöhl, FRG)

"By no means all bridges have been burnt between the UK and its partners" (Figaro, France)

"Setting a date before the content of Stage II is known is a pig in a poke" (Press comment, FRG)

"In spite of its reservations, the UK is prepared to take an active part in discussions rather than to isolate itself in a sterile sulk" (Le Monde)

"The discussions have deepened entrenched positions, and the overall result of the meeting may well turn out to be negative" (Ellemann-Jensen, Denmark)

"UK doubts reflect tensions about loss of sovereignty which exist in other member states and which transcend traditional party political boundaries" (Le Tribune de L'Expansion)

"Extremely disappointed with France and Germany's lack of political will to find a solution [on GATT]" (Andriessen, quoted in NRC Handelsblad, Neths)

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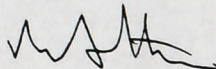
cc: PS/Mr Garel-Jones  
Mr Lidington  
Mr Jay  
Mr Sheinwald  
Mr Westcott  
Mr Hitchens

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Mr Fraser

**BULL POINTS ON ROME**

- /
1. I attach the final text of our Bull Points on Rome, which we discussed. This includes Mr Jay's comments.
  2. I understand Mr Garel-Jones has decided not to use this with the Whips. It may nevertheless be useful background for you.
  3. We shall draw on some of the points, as appropriate, in our instructions to posts on the line to take post-Rome.



M A Arthur  
European Community Department  
(Internal)

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- EMU not dividing government or party. Agreement in both that way forward should be market-led. Only eleven rebels in ERM debate. Government clear vision of way forward. Absurd to suggest party split - EC has taken no substantive decisions: so no dramatic choices face the party.

FROM: M A Arthur  
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Mr Langdon, Home Office

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**PRESS ARRANGEMENTS FOR THE WEEKEND**

1. I have set up the arrangements we discussed with John Grant in UKRep (home telephone 322 731 9385).
2. He already has the Naples statement in the form you sent it to David Hadley. If this is updated we can fax it to UKRep on Friday. He will give this to Buchan Saturday lunchtime and invite Buchan to run the lead story, given that the Sundays are unlikely to pick it up in time.
3. Buchan's home number over the weekend is 322 647 7347.
4. I have also given Grant Bob Morris's home number (071 223 5372); and my own (081 789 7438) as a fallback.

M A Arthur  
European Community Department  
(Internal)