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Foreign and Commonwealth Office

London SW1A 2AH

2 December 1986

Dear Charles,

European Council: Prime Minister's Meeting with
Mr Lubbers, 1745 hours, 4 December

I enclose briefing. The main purpose of the meeting will be to prepare for the European Council. The Dutch agree with us on the need to concentrate on job creation and the internal market. They have not pressed for any substantive discussion of finance.

Our main difference with them is on the R&D Framework Programme. They want a higher figure (6 becu) than we do, and have favoured the idea of trying to settle the figure at the European Council. They now seem ready, however, to leave that to the Research Council on 9 December.

There are other nuances on People's Europe (Lubbers may express surprise that we are not having a separate session on that) and freedom of movement (the Dutch put more emphasis on it than we do in the context of tightening up external controls). The Dutch may also want to raise South Africa in the Political Cooperation part of the discussions, which we want to see concentrate on East/West.

The briefing also covers East/West (Mr Lubbers has just been to Moscow) and bilateral points.

As you know Mr Lubbers will be accompanied by Mr van den Broek, the Dutch Foreign Minister.

I am copying this letter to Trevor Woolley (Cabinet Office).

Yours ever,

Colin Budd

C D Powell Esq
PS/10 Downing Street

(C R Budd)
Private Secretary

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PRIME MINISTER'S MEETING WITH MR LUBBERS, 4 DECEMBER

POINTS TO MAKE

- Grateful for Dutch assistance over extradition of MacFarlane and Kelly.
- Look forward to welcoming new Ambassador Hans Jonkman. Sorry to lose Mr Huydecoper after 5 years distinguished service. [I don't think you are!]

EUROPEAN COUNCIL

- Glad of this opportunity to concert. UK/Dutch cooperation on EC issues excellent.

Internal market

- Grateful for your support for our political package of 13 points.
- Excellent progress at 1 December Internal Market Council.
- Will propose tomorrow that we mandate Permanent Representatives to agree remaining items by the end of the year.

- We must also ask Agriculture Council to give priority to reaching agreement on outstanding Internal Market measures.

- Must also call on Transport Council to take decisions on transport, including reduction of restrictions on cheaper air fares. Hope for strong support on this from Mr Lubbers.

- Recognise Dutch would have liked to go further on fares. But better to have small step forward now with review in three years' time than confusion and delay likely to result from leaving Commission to pursue airlines in courts.

- Need to convince other partners that completing internal market essential to compete effectively with Japan.

- [If Lubbers suggests there should be progress reports on all internal market items, not just those dealt with by the Internal Market Council] We have made regular oral reports covering progress on the action programme as a whole.

Job creation (if Lubbers stresses need not to reduce social protection for workers in SMEs).

- UK does not want cuts in basic social protection for workers in firms of any size.

- But we are all agreed on the need to encourage SMEs.

Must see whether there are not areas of social protection which could be modified without undue detriment to the workforce where that would help create new jobs.

R&D [if raised]

- We are all committed to increasing proportion of Community expenditure going on research. This has to take account of available resources.

- Research Ministers should decide on Framework Programme at Research Council on 9 December. They are best qualified to evaluate the specific programmes and their relevance to needs of industry. Mr Pattie has visited all capitals. We shall be working for decisions then.

Terrorism

Aim must be to build on principles already agreed:

- no concessions under duress to terrorists or their sponsors;
- solidarity between Member States;
- concerted action in response to terrorist attacks on the territory of a Member State and to evidence of external involvement in such attacks.

[As necessary]

- [If Lubbers argues need for freedom of movement internally to accompany external tightening up] The better our control at external barriers the easier it will be to encourage freer movement within.
- [If Lubbers argues for visa harmonisation] Agree on need for closer coordination. This is being pursued by high level group on immigration reporting to Interior Ministers.

People's Europe (if raised)

- Have not made formal written report to avoid too many papers. But ready to report orally if colleagues wish.

- Consider cheaper air fares, and cancer and AIDS initiatives as part of People's Europe ie People's Europe not just what was in the original report but everything we are trying to do to make Europe relevant to needs of our citizens.

- [As necessary] UK Presidency trying to keep discussion on ERASMUS student exchange scheme going despite Commission withdrawal of proposals.

Agriculture

- Heads of Government cannot turn themselves into Agriculture Council. But European Council must call on Agriculture Ministers at their meeting on 8/9 December to reach the necessary decisions on milk and beef.

- Agriculture will clearly be major topic for discussion over next two years (CAP reform, GATT round): but far reaching reforms will require cooperation with other countries eg US.

Finance (if raised)

- Jacques Delors will give an account over pre-dinner drinks of his programme for presenting ex novo review.

- [If Lubbers argues for decision on raising 1.4% VAT ceiling] Question is not when ceiling should be raised but whether raising it can be justified while half total budget is being spent on storage and disposal of surpluses.

- Commission report must address itself to issue of agricultural over-supply.

- [If Lubbers argues for two European Councils in the Belgian Presidency] A pity to depart from principle of two European Councils a year introduced by you only last year. Decision should be left to M Martens.

- Difficult to envisage agreement on financing at early European Council given extent of issues involved, including how to cope with agricultural surplus production.

South Africa (if Dutch propose discussion at the European Council of a coal ban and a fresh approach by the Twelve to internationally agreed principles to govern solutions in South Africa).

- Inappropriate to discuss a coal ban in European Council, including a conditional ban.

- UK able to go along with a coal ban if all Partners agree. Seems unlikely. No evidence of shift in position of partners since 15/16 September.

- In interests of credibility of Twelve, Presidency wish to avoid another embarrassing high level split. Propose to limit discussion of South Africa to the Foreign Ministers' dinner on 5 December.

- No agreement likely either on "compromise" idea of a conditional ban to be imposed unless SAG takes steps to promote dialogue.

- Difficult task to steer between banality and prescribing particular constitutional solutions, which it would be wise to avoid.

- Time is not ripe for a new public initiative by Twelve. But must actively consider how we can make a fresh contribution in more auspicious circumstances.

EAST/WEST RELATIONS AND ARMS CONTROL

Our Objectives

- To explain UK approach to arms control and to seek Dutch endorsement.

- To underline the importance of establishing framework for conventional arms negotiations following Reykjavik.

- To share assessments of Gorbachev's position and aims post-Reykjavik, and after the visit by Lubbers and van den Broek to Moscow (20-21 November).

Arguments in support of our objectives

a) Geneva Nuclear and Space Talks/SDI

- Camp David Statement sets right priorities for NATO. NATO communique in December (NAC, DPC) should reflect it.

- Dutch will note particular references to agreement on INF as priority.

b) Conventional Arms Control

- Alliance now appears likely to agree on forum and

coordination procedures for reductions-limitations linked to CSCE framework. Accept French insistence on that. But Americans also right to insist on Alliance coordination. Compromise should be confirmed at December NAC Ministerial. Important that decision be presented adroitly. Otherwise danger of being upstaged by Budapest Appeal.

c) Gorbachev's position: High Level visits

- Impressions from your visit to Moscow?
- Gorbachev's position - not damaged by Reykjavik. Tactics had Politburo support.
- Not threatened by obstruction from party apparatus to economic change and greater openness.
- First priority domestic economy; but difficulties not enough to dictate arms control policies.
- Some signs that Gorbachev beginning to look beyond Reagan Administration. We should discourage this.

Their Objectives

- To hear an account of the Prime Minister's visit to Camp David, and to argue for greater European coordination (perhaps in WEU).
- To report on their visit to Moscow (20-21 November).

- To obtain support for their CSCE proposal for a consultative commission on human rights.

Our response to their objectives

- Right that Europeans should seek common view. WEU forum for that. But presentation must take account of American sensitivities over European cabals.
- Camp David meeting less successful if Europeans had previously jointly criticised President Reagan's ideas.
- Our CSCE team in Vienna ready to discuss the idea of a human rights consultative commission.

Nuclear Testing (if raised)

- Outcome of Reykjavik on nuclear testing.
Consistent with HMG's views. Nuclear tests cannot be reduced in straight proportion to reduction of weapons.

WILLIAM AND MARY TERCENTENARY (if raised)

Our Objectives

To assure Lubbers and van den Broek of our support for the celebration of the Tercentenary of William and Mary, 1988-89, for which planning is now well advanced.

Arguments in support of our objectives

- Tercentenary provides an excellent opportunity for celebration of 300 years of friendship.
- UK Tercentenary Trust established, with Government assistance, to plan and organise celebrations. Their work is well advanced.
- Royal Family keenly interested. The Prince of Wales is Patron of the Tercentenary Trust. Hope a programme of Royal Visits in both directions can be arranged in 1988-89.

Their Objectives

- To press the Prime Minister for increased official funding of the Tercentenary.

Our response to their objectives

- FCO already contributed (£22,000) towards organisational costs of the William and Mary Tercentenary Trust, seconded member of Diplomatic Service to Trust, to assist in fund raising from the private sector and made available up to £100,000 for an exhibition in the Netherlands during 1988.

- Other Government departments such as DES and MOD will also be contributing.

BACKGROUND

EUROPEAN COUNCIL

Employment

1. At The Hague European Council the Dutch distributed a paper on long-term unemployment. Some of the ideas in it were costly and have not been taken up in our employment initiative.

Internal Market

2. At the 1 December Internal Market Council 9 measures were adopted out of the political package of 13.

3. The Dutch are keen on regular reviews covering the whole range of internal market issues, not just those dealt with in the Internal Market Council but also those in the Agriculture Council and Ecofin. It would now be for the Belgian presidency to implement such a step.

Air Transport

4. The Dutch have been arguing that the UK Presidency package does not go far enough in easing restrictions

on cheaper fares.

R&D

5. The Dutch can go to 6 becu for the Framework Programme (UK 4.2 becu)

People' Europe

6. The Dutch are keener than UK on the ERASMUS student mobility programme scheme. The 28 November Education Council failed to agree on this, with France, FRG and UK unwilling to accept the financial commitment involved. The Commission appear to have withdrawn their ERASMUS proposals but may bring others forward.

Finance

7. The Dutch want an early increase to 1.6% VAT but link this to the need for agricultural reform, on which their ideas are similar to ours.

EAST/WEST RELATIONS AND ARMS CONTROLSoviet-Netherlands Relations

- Lubbers and van den Broek visited Moscow from 20-21 November. They both met Gorbachev and Prime Minister Ryzhkov; van den Broek also met Shevardnadze. On arms control Gorbachev criticised US strongly and also UK, France and FRG. He appeared pessimistic about chances of dealing with Reagan. He deplored NATO's failure to respond to the Budapest Appeal and seemed to have lost interest in MBFR. Ryzhkov also addressed test ban, strengthening of non-proliferation regime and a chemical weapons ban, on which he claimed that USSR and Netherlands held similar views. On human rights Gorbachev counter-attacked the West; the proposal of a conference in Moscow on humanitarian issues was pressed. EC/CMEA negotiations and the possibility of an EC/Soviet commercial agreement were also discussed. Dutch businessmen participated in economic talks with Deputy Prime Minister Kamentsev and Minister of Foreign Trade, Aristov.

Arms Control

- A copy of the Prime Minister's post-Camp David statement is attached.

- The Dutch have gone ahead with deployment of LRINF despite one of the most vigorous opposition campaigns in Europe. The reference to INF as a priority for arms control in Camp David statement should be welcome to Mr Lubbers and Mr van den Broek. The latter told WEU on 14 November that zero-zero in Europe with limited deployment in Asia was acceptable. He questioned whether it was realistic to insist on the resolution of SRINF (and conventional imbalances) prior to an INF agreement. He also welcomed 50% cut in strategic nuclear systems. The Dutch strongly support a CW ban.

- On nuclear testing the Dutch wish to see more rapid progress towards the conclusion of a comprehensive test ban.

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PRIME MINISTER'S MEETING AT CAMP DAVID: ARMS CONTROL

1. THE FOLLOWING TEXT, AGREED WITH THE PRESIDENT AT CAMP DAVID, WAS RELEASED BY THE PRIME MINISTER AT HER PRESS CONFERENCE IN WASHINGTON AT 2000Z ON 15 NOVEMBER: QUOTE

(A.) THE PRESIDENT AND I DISCUSSED THE WAY FORWARD ON ARMS CONTROL AFTER REYKJAVIK.

(B.) WE AGREED THAT PRIORITY SHOULD BE GIVEN TO:

- AN INF AGREEMENT, WITH RESTRAINTS ON SHORTER RANGE SYSTEMS,
- A 50 PER CENT CUT OVER 5 YEARS IN US AND SOVIET STRATEGIC OFFENSIVE WEAPONS, AND
- A BAN ON CHEMICAL WEAPONS.

IN ALL THREE CASES, EFFECTIVE VERIFICATION WOULD BE AN ESSENTIAL ELEMENT.

(C.) WE ALSO AGREED ON THE NEED TO PRESS AHEAD WITH THE SDI RESEARCH PROGRAMME WHICH IS PERMITTED BY THE ABM TREATY.

(D.) WE CONFIRMED THAT NATO'S STRATEGY OF FORWARD DEFENCE AND FLEXIBLE RESPONSE WOULD CONTINUE TO REQUIRE EFFECTIVE NUCLEAR DETERRENCE, BASED ON A MIX OF SYSTEMS. AT THE SAME TIME, REDUCTIONS IN NUCLEAR WEAPONS WOULD INCREASE THE IMPORTANCE OF ELIMINATING CONVENTIONAL DISPARITIES. NUCLEAR WEAPONS CANNOT BE DEALT WITH IN ISOLATION, GIVEN THE NEED FOR STABLE OVERALL BALANCE AT ALL TIMES.

(E.) WE WERE ALSO IN AGREEMENT THAT THESE MATTERS SHOULD CONTINUE TO BE THE SUBJECT OF CLOSE CONSULTATION WITHIN THE ALLIANCE.

(F.) THE PRESIDENT REAFFIRMED THE UNITED STATES' INTENTION TO PROCEED WITH ITS STRATEGIC MODERNISATION PROGRAMME, INCLUDING TRIDENT. HE ALSO CONFIRMED HIS FULL SUPPORT FOR THE ARRANGEMENTS MADE TO MODERNISE BRITAIN'S

INDEPENDANT

INDEPENDENT NUCLEAR DETERRENT, WITH TRIDENT. UNQUOTE
2. RESIDENT CLERK PLEASE PASS TO PS/S OF S, PS/MR RENTON, NO 10
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ACLAND

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ORWBAN 7805

US/SOVIET ARMS CONTROL TALKS
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NAD MR DEREK THOMAS
EED MR GOODALL
WED MR RATFORD
PLANNING STAFF MR FALL
RES D MR FERN
INFO D MR BRAITHWAITE
PUSD MR SLATER
NED MR BARRINGTON
CSCE_UNIT MR GILLMORE
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ADDITIONAL DISTRIBUTION
ARMS CONTROL TALKS

COPIES TO:
MR BERMAN LEGAL ADVISERS

WILLIAM AND MARY TERCENTENARY

- The Netherlands government have committed a total of £500,000 to the celebrations. We always made it clear that the government would contribute in the ways indicated but we were keen for the private sector to become involved: in fund raising and in organising events.

- FCO is anxious that these celebrations should not become associated with 'Orange' sectarian celebrations in Northern Ireland and Scotland. This has been avoided so far.