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PRIME MINISTER

MEETING WITH NETHERLANDS PRIME MINISTER

You are to see Mr. Lubbers and Mr. Van den Broek tomorrow. Mr. Lubbers has come over early for the European Council to deliver a speech. The Foreign Secretary will also be present.

You will want to start by thanking Mr. Lubbers for the Dutch Government's assistance over the extradition of MacFarlane and Kelly.

You might deal next with East/West relations. Mr. Lubbers and Mr. van den Broek have just been to Moscow. You will want to ask their impressions from their visit of Gorbachev's tactics and priorities. You will also want to give them an account of your meeting with President Reagan at Camp David. You will also want to urge on them the importance of reflecting the Camp David points fully in the communique of the forthcoming NATO meetings.

But you will want to focus mainly on the forthcoming European Council. The Dutch are generally content with the way we propose to run this. But there are nonetheless one or two points of difference which may come up. The Dutch would have preferred a fuller discussion of future financing at this Council and may want to push work on it ahead next year faster than we would want (perhaps pressing for an additional European Council). You will want to remind them that it is not a question of when the 1.4% VAT ceiling will be raised, but whether. They are also rather disappointed that we are prepared to settle for less than they are on access to cheaper air fares. We reckon that it is better to settle for what we can get now, with a review in three years time, than having to wait interminably while the matter is pursued through the courts. The Dutch are likely to press for discussion of South Africa, and in particular for a further attempt to agree a ban on coal imports. You will want to head them off that. There

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