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PRIME MINISTER

EUROPEAN COMMUNITY BRIEFING: 1500 TUESDAY 17 SEPTEMBER

You have a briefing meeting with the Foreign Secretary and the Chancellor tomorrow afternoon in advance of your talks and working lunch with Mr Lubbers on Wednesday 18 September. The Chancellor will be accompanied by Nigel Wicks. The Foreign Secretary has asked to bring Tristan Garel-Jones and Michael Jay. Sir John Kerr will also be present, as will David Hadley from the Cabinet Office.

The FCO have sent the attached annotated agenda (Flag A) which is a useful basis for discussion. You will also want to read the attached Treasury note (Flag B) about the outstanding issues on EMU, as well as the attached analysis of the new Dutch Presidency text on political union (Flag C).

EMU

You may want first to go through the EMU text on which the issues are relatively straightforward.

It strikes me that the weakest point in our argument remains our opposition to legally binding limits on, and sanctions in relation to, excessive budget deficits. The Treasury have prepared a straightforward paper on convergence (Flag D). The weakness on our argument is brought out in paragraph 9 of the paper. We acknowledge that excessive budget deficits could threaten monetary stability or lead to pressure for a bail out to other member states. We want to avoid binding rules. In July you agreed a fall back for Stage 3, namely

- (i) the criteria for triggering the procedure should be a debt/GDP ratio and a deficit/GDP ratio set sufficiently high to ensure that only those Member States with gross errors of budgetary policy are caught;

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- (ii) even if the criteria were met, a Member State would only be subject to the special procedure if, successively, the Commission, the Monetary Committee and ECOFIN each agreed that there was a prima facie case to answer;
- (iii) a Member State, having been caught by the procedure, would be examined by the Commission and would itself be able to present its case to ECOFIN, before ECOFIN reached a conclusion (in the light of all the circumstances) on the Commission report of the fiscal position;
- (iv) if ECOFIN did judge that there was a gross error of budgetary policy, it would make policy recommendations and, only if such measures were ignored, would it use its bigger guns (public recommendations, reporting requirements public statements) and then its heavier artillery (eg. some suspension of Structural Fund commitments or any other "measure" devised);
- (v) and only if all else failed would ECOFIN require the Member State to take specific policy measures, as a legal obligation - perhaps backed up by an intensification of budgetary measures if absolutely necessary.

You may want to ask where things stand.

Two-Speed Europe

I am not sure we have a coherent line yet on this. At the last IGC meeting the Chancellor was perceived to have lined himself up with the Dutch and Germans, i.e. on the side of convergence being the key to moving to Stage III and against those who saw unanimity as the prime requirement. You took a somewhat different line in your discussion with Mitsotakis this morning. Since we are insisting on an opting-in provision we cannot insist that Stage III can only go ahead when all 12 are ready. We have to decide whether our position is:

i. that a group of member states can go ahead once the necessary convergence have been fulfilled, regardless of the views of the rest of the Twelve, or;

✓ ii. that a group of member states can go ahead on their own but only if all the Twelve agree.

Political Union

As the analysis (Flag B) brings out, this text has tended to get worse. Bad features of the text include:

a. Structure: all activity is brought within the Treaty of Rome, including the Common Foreign and Security Policy (CFSP), immigration policy (Article 100A) and other interior/justice matters (under Article 220 bis). Citizenship is now defined as citizenship of the Community.

b. CFSP: voting is by unanimity and CFSP is partially excluded from ECJ jurisdiction. But bringing it within the Treaty of Rome would allow the Community gradually to extend its competence in all areas where member states have common interests.

NO

c. External Policy: under Article 116 the Commission acquires significant new authority for external representation of the Community in virtually all international organisations and negotiations.

? WASC.?

Prob. OK.

d. European Parliament: codecision is dropped in name but the cooperation procedure is extended to most QMV items and the EP given a right of ultimate rejection of any legislation as part of the procedure. EP assent (giving it a de facto veto) is now required for most proposals adopted by unanimity (including increases in own resources).

not OK.

It is right to go on working for agreement at Maastricht and obviously right to play down any disagreements in public at this stage. But I do not think we could accept or should accept a text which allowed the extension of community competence into

Common Foreign and Security Policy or which gave the European Parliament extensive power to reject positions taken by the Council.

If we are not going to be able to reach agreement at Maastricht, we need to break on an issue which you can clearly explain domestically, presumably national control over foreign and security policy.

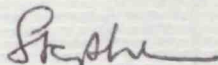
Our negotiating leverage would be greater if we keep the EMU and political union negotiations firmly in parallel. The Dutch, and others, will be more likely to make concessions on political union if they think there is a prospect thereby of securing agreement on EMU and if they are not led to assume that EMU is already in the bag.

For our own credibility both in the negotiations and more generally we shall need to whittle down the number of issues where there is disagreement. Quite a lot of the areas where competence is being expanded (health, education, culture, energy, industry, trans-European networks) are ones where there is some community competence already. You may want to ask the Foreign Secretary and OPD(E) to ensure that we really have boiled down our objections to the bare minimum. If we do not reach agreement at Maastricht, the Opposition will accuse you of spoiling tactics. You will need to be able to say (credibly) that you have taken a stand on the very few clear issues of principle where the national interest is very obviously at stake.

Meeting with Mr Lubbers

If there is time, you may want to touch on some of the other issues which are in the brief for your meeting with Mr Lubbers (Flag F), notably:

- CAP reform;
- the GATT round.


J S WALL

16 September 1991

c\foreign\dutch (slh)



Foreign &
Commonwealth
Office

London SW1 2AH

J S Wall Esq
10 Downing Street
London

14 September 1991

Dear Stephen,

PRE-LUBBERS BRIEFING : IGCS

The Prime Minister plans to hold a briefing meeting with the Foreign Secretary and Chancellor at 1500 on 17 September. I have sent you separately a brief for the Prime Minister's discussion with Lubbers; and a summary (with commentary) of the Dutch and Luxembourg texts on Political Union.

You may like the following annotated agenda for the Prime Minister's briefing meeting, which the Foreign Secretary has seen.

Calendar

- The negotiating timetable is:

<u>Political Union</u>	<u>EMU</u>
30 September, Ministerial	IGC 20-22 September, Informal ECOFIN
4/5 November, Ministerial IGC	7 October, Ministerial IGC
13/14 November, Ministerial Conclave	11 November, Ministerial IGC
2 December, Ministerial IGC	3 December, Ministerial IGC
9/10 December Dutch Maastricht European Council	

- The Prime Minister plans bilaterals with:

- : Prime Minister Lubbers (next week and in the run-up to Maastricht)
- : Chancellor Kohl (mid-October) : President Mitterrand (late October)
- : Prime Minister Andreotti (end November)
- : Prime Minister Schluter, Mr Haughey and with M. Delors (dates not fixed).



The Foreign Secretary will be seeing most of his colleagues, including Delors, before Maastricht.

- In Whitehall, OPD(E) meets on 3 October (in particular on competence and EP legislative powers); OPD meets on 28 October (all IGC issues, including CFSP).
- Parliament. The Foreign Secretary gives evidence to the Foreign Affairs Committee in mid-November on prospects for Maastricht; thereafter a full day debate, pre-Maastricht. A full day debate in the Lords on 21 October.

Political Union

The following are the main negotiating issues for us, in roughly descending order of importance:

- Structure: Dutch unitary structure - all activity within Treaty of Rome - unacceptable; Luxembourg pillared structure (Treaty of Rome, CFSP, Interior/Justice) right basis, but pillars not yet distinct enough. Key ~~points~~ ^{requirements} for us are:
 - : no reference to federal goal
 - : no ECJ jurisdiction for CFSP or Interior/Justice
 - : institutions operating under different rules for separate pillars
 - : no commitment to bringing this ultimately within competence
- European Parliament:
 - : acceptable package of non-legislative measures probably negotiable.
 - : legislative powers; strong pressure for both label "co-decision" (Luxembourg text) and giving EP last word - i.e. right to reject some legislation (both texts). Kohl may not agree a treaty without both. Explore what his minimum bottom line is. Might he accept extended coverage of existing cooperation procedure (i.e. much watered down Dutch text)? Which is worst for us, label or substance? Could we accept giving EP right to reject if limited to as few areas as possible?
- Social: UK isolated in opposing any extension of QMV or competence. Do we have any flexibility?
- Other Competence Issues:
 - : strong pressure for limited new Treaty texts on health, education, culture, energy, industry, trans-European networks. Carries risk of: EC legislation constraining national freedom of action; costly expenditure programmes; risk of reinforcing interventionist tendencies;



: OPD(E) to explore whether some texts acceptable, if scope sufficiently limited.

- QMV: Strong pressure for some extension, especially to new competence texts: and regarded as concomitant of co-decision. OPD(E) to pursue UK scope for flexibility.
- Interior/Justice Matters: Strong German concern. Can we find enough on Europol and asylum to satisfy Kohl without bringing immigration/asylum within the Treaty of Rome?
- CFSP. Structure aside, main problems are distinction between cooperation and binding "joint action"; and limited QMV for implementation.
- Defence. Fundamental UK requirement for reference to NATO to counterbalance any commitment to long-term European defence policy.
- Citizenship. Concept accepted at June European Council. Home Secretary thinks main content (voting rights for nationals of other member states) is acceptable. Any problems of Parliamentary handling?
- Cohesion. Aim (with other northerners) for minimum commitment at Maastricht on jam tomorrow for southerners.

EMU

The Dutch have circulated a new text on the content of Stage II and transition to Stages II and III. A full EMU text is likely to be circulated in mid-October. Positive features of the Dutch text are:

- ✓ : a clear distinction between Stages II and III. A European Monetary Institute is set up at the beginning of Stage II with a European Central Bank only coming into operation at the beginning of Stage III;
- ✓ : rigorous convergence conditions for the move to Stage III;
- ✓ : "no imposition" - separate decision by individual member states on whether to move to Stage III.

This text is not perfect. We have proposals to improve it. But its approach is broadly acceptable. Problems for us remain in particular:

- : the requirement that member states introduce legislative proposals before Stage II to make national central banks independent before Stage III. A sticking point for the UK; chances of success?



: Dutch text has binding rules on budget deficits applying in Stage II as well as sometimes in Stage III. We must remove binding rules and sanctions, at least in Stage II.

Main criticism of the Dutch text comes from the Commission, France and southerners, who oppose the two-speed approach. How can we stop the Dutch making concessions to the southerners?

Both IGCs : Possible Selling Points for Parliament

The substantial difficulties for Parliament in this package may be partially offset by:

- confirmation that cooperation in some areas should remain inter-governmental (i.e. structure debate)
- More coherent and effective foreign policy.
- Recognition of NATO as bedrock of European security.
- Reinforcement of rule of law, efficiency and accountability in EC.
- Greater cooperation in combatting crime and immigration pressures.
- An EMU outcome leaving open whether, and when, we might join.
- Greater EP control over Commission.

Phasing of Negotiations

- Need for tough line through to Conclave. First EPU deals to be struck there.
- Put defence debate aside until after NATO Summit (Dutch plan anyway).
- Political Union/EMU coupling: do we want EMU resolved in November, or something left to be fought for at Maastricht?
- Bilateral deals with Dutch and Germans.
- Conclave to work out clear options for decision at Maastricht. These are likely to be:
 - : structure;
 - : social;
 - : CFSP, including defence;
 - : co-decision;
 - : cohesion.
 - : competence (if not resolved at Conclave)

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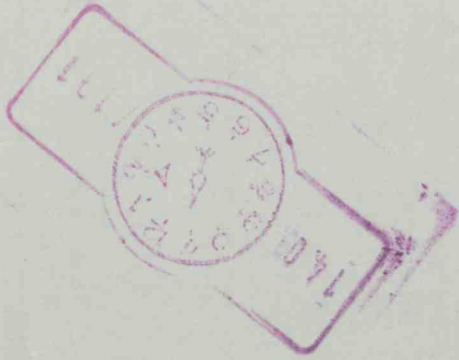


I am sending a copy of this letter to Jeremy Heywood (HM Treasury).

Yours,
Rob Holland.

Resident Clerk

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Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

13 September 1991

Stephen Wall Esq LVO
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Stephen,

EMU: OUTSTANDING ISSUES

... As background to the Prime Minister's meeting on 17 September, you asked for a checklist of the more important of the outstanding issues in the EMU negotiations. I attach a note we have prepared this afternoon. The Chancellor has not yet seen this, although I have discussed it with him in general terms.

I am copying this to Richard Gozney and Sonia Phippard.

Yours,

A handwritten signature in dark ink, appearing to be 'J Heywood'.

JEREMY HEYWOOD
Principal Private Secretary

EMU IGC: KEY ISSUES FOR THE UK

Set out below is a list of issues which cause the UK difficulty in the EMU IGC. The list is not exhaustive but focuses on the areas of priority for the UK.

Content of Stage 2

1/1/94

1. *Monetary policy in national hands*

The UK has argued that national monetary policy responsibility should remain unambiguously in national hands in Stage 2. To this end, the UK regards it as very important that:

a) ✓ *the European Central Bank is not set up until the decision to move to Stage 3 has been made. Setting up a central bank before it has a proper job of work to do could only lead to confusion of monetary policy responsibility. The Germans and Dutch support us on this, and the Dutch text is again helpful. A European Monetary Institute would operate in Stage 2; an ECB in Stage 3.*

b) *Member States are not obliged to make their national central banks independent unless and until they move to Stage 3. Here, the Dutch texts are very unhelpful, requiring Member States to introduce legislative proposals before Stage 2 with a view to making their national central banks independent before transition to Stage 3.*

c) *Member States are not obliged to ban monetary financing in Stage 2. Apart from breaking the principle of national monetary policy responsibility in Stage 2, this would affect our ability to run an overdraft with the Bank of England (Ways and Means advances). The present Dutch text would make it an obligation to prohibit monetary financing before entry into Stage 2.*

Key point
NO
Not logical
Mon. control in Nat. hands. UK aware
P. Goodr.

NO ✓

- d) *Membership of the ERM is not a Treaty obligation in Stage 2.* Although this featured in the Luxembourg draft Treaty, it has been dropped in the Dutch draft. There appears widespread agreement that an appropriate convergence condition (ie Member States' currency must successfully have stayed in the narrow band for a minimum period) is preferable.

2. *Hardening the ecu.*

Explain
The current Dutch text provides for two possibilities: a frozen basket ecu (ie the currency composition of the ecu would be irrevocably fixed) and a hard ecu (ie the ecu would not be devalued against any ERM currency). Along with Germany and France, we are pressing for the latter.

Transition to Stage 3

3. *No imposition*

✓ The UK position on this is clear: it cannot commit itself to moving to a single currency and single monetary policy without a separate decision by Government and Parliament at the appropriate time. The latest Dutch text is very helpful on this point, providing for a separate decision by individual Member States on whether to move to Stage 3. To underline the 'whether' nature of the text, the Chancellor has tabled an amendment which would add the sentence 'Unless a Member State decides to participate in the final stage it shall be under no obligation to do so'.

✓ We will also need to keep a close eye on the opening articles of the Treaty dealing with the Community's objectives. These have yet to be discussed under the Dutch Presidency but must not imply any commitment to a single currency or single monetary policy.

4. *Convergence*

Together with Germany and the Netherlands, the UK has argued for rigorous convergence conditions for transition to Stage 3. The

Dutch text is again helpful in this respect, providing for stringent conditions relating to inflation, interest rates, budget deficits and membership of the ERM.

What are they?

Content of Stage 3

5. *Capital share*

X The UK's objective is for a capital share in the European Central Bank at least as great as that of France and Italy. The Luxembourg text is unsatisfactory, providing for an objective key based on GDP and population. This issue has yet to be discussed under the Dutch Presidency. ✓

6. *Prudential supervision*

The Luxembourg draft Treaty gives the ESCB (and within it the ECB) the right to participate in the formulation and implementation of supervisory policies. The UK's objective is to minimise the role of the ESCB (and in particular of the ECB) in this area. The French have already argued on similar lines. ✓

7. *Payment Systems*

The Luxembourg texts give the ECB a commanding role in all payments systems. In the UK these systems are in the private sector and we see no case for bringing them under ECB control. The UK objective is to limit the ECB to promoting efficient cross-border and high value systems.

Economic Policy

8. *Excessive Budget Deficits*

X The UK remains opposed to legally binding limits and sanctions in relation to excessive budget deficits. As a fall-back (Wall to Heywood, 8 July), Ministers have agreed that such rules and sanctions should apply only to participants in Stage 3. The Dutch texts are unhelpful in this respect. Although sanctions would
||

apply only in Stage 3, legally binding limits would apply in Stage 2. The UK has few, if any, supporters in this area and there is still much difficult negotiation to be done in the months ahead.

9. *Special financial assistance (or a 'bail-out' fund)*

The Dutch text includes a square-bracketed provision for special Community assistance for Member States in difficulties in Stage 3. The UK remains opposed to such assistance on the grounds that it is inconsistent with the 'no bail out' rule. In this, we have the support of only the Netherlands and France. ✓

Miscellaneous

10. *Capital Movements*

The Treaty articles on capital liberalisation may have implications for the UK's corporation tax imputation system and ability to maintain proper rules on supervision: if so, we must press for their amendment. This issue has yet to be addressed under the Dutch Presidency; there may be tactical alliances to be forged with others who have special concerns on capital liberalisation: it is an area where many Member States have skeletons in the cupboard.



Worse than Luxem. Text.

V. gloomy.
Proposing exec/MU immutable.
have text diff.
Dutch 2 aspects.

know you have Unitary
Can't accept to have
than pillared.

Get off: Soviet Union.

COMPETENCE
impossible.

Power of P.
v. bad.

DUTCH PRESIDENCY DRAFT TREATY ON POLITICAL UNION

General

1. The new Dutch text replaces the "pillared" structure of the Luxembourg draft with a "unitary" structure, bringing most relevant areas of cooperation within the Treaty of Rome albeit with some procedural differences, and therefore within Community competence, at least potentially. They have used large parts of the Luxembourg draft Treaty text but have reorganised it by bringing the two separate pillars on CFSP and interior/justice within the Treaty and regrouping all Treaty provisions on the Community's external policies into a single section. Economic and Monetary Union would also come within the Treaty, but no texts are included in this draft.

①
NO. |

I Introductory Articles

The text amalgamates the introductory articles of the Treaty of Rome with the Luxembourg draft's common provisions on the structure of the Union. The text includes references to a "federal vocation" (Article 1), the European Council (Article 4 - hitherto, in the SEA, outside the Community structure) and a single institutional structure (Article 4). This creates a unitary structure and widens the scope and the objectives of the Treaty of Rome to cover cooperation between member states on:

②
NO.
No - it
CFSP on inter-G.
basis.

- a common foreign and security policy, including, in the long-term, defence;
- citizenship;
- interior/justice matters;
- economic and monetary union;

This makes these areas subject, except where explicitly excluded, to Community rules on the role of the Commission, the ECJ and the EP. It provides the Commission and ECJ with the opportunity to extend Community competence fully into these new areas (subject to a unanimous decision in the Council). The European Council would be subject to Community procedures, including voting, and its decisions would be justiciable before the ECJ.

Ludicrous.

Comment: a unitary structure, bringing inter-governmental cooperation within a Community framework, is unacceptable. Among other objectionable features there remains a reference to a federal vocation.

II Citizenship:

All nationals of member states would also be citizens of the Community (rather than Union). The rights to which they are entitled remain as in the Luxembourg text: the freedom of movement and residence, the right to vote in municipal and EP elections, to petition the EP and to seek consular protection from any member state. The Council would decide implementing measures by unanimity but subject to an EP right of assent (ie veto). The unitary structure means that the ECJ would have competence over human rights questions.

no.

Comment: this is less acceptable than the present idea of Union citizenship. It could increase the EP's power to influence legislation on citizenship. This would be difficult for us and in Westminster.

lost jobs etc.

III Policies (Competence)

- what is covered.

The Treaty would extend Community competence, on the same lines as the Luxembourg draft. This would apply both to existing policy areas (social, allowing a wider power of legislation on employment and training; environment; research and development; cohesion), and a number of new areas (industry; energy; trans-European networks; education; health and culture). The Dutch omit the texts proposed by Luxembourg on tourism, civil protection and consumer protection, and improve the text on energy.

- on limits of competence.

QM Voting is applied to all new areas of policy and a strengthened cooperation procedure (see below) is applied to almost all decisions adopted by QMV, including agriculture, trade and competition. This would give the European Parliament an effective veto in all areas. European Parliament assent would also be needed for further extensions of competence under Article 235, and for amendments to revenue raising provisions of the Treaty (own resources).

Comment: We object to the Luxembourg text on grounds of both competence and the potential financial implications. Although there are minor improvements in the Dutch text, on balance it is worse because of the wholesale extension of QMV and the considerable increase in the EP's role. The social text is worse.

Prof. except.
(without taxation)
ENVIRONMENT

social work
diff. Council
may be proposed
idea's

NO. 11

Interior/justice cooperation

[Not under Comm. Powers]

Policy on immigration, asylum and visa is brought firmly under Community competence with a requirement to harmonise national legislation (Article 100a bis). Council decisions would be by unanimity, subject only to consultation with the EP.

Other interior/justice matters (police, drugs, terrorism, illegal immigration, customs and judicial cooperation) would be subject to cooperation between member states under a new Article 220 bis. This would not necessarily bring them within Community competence, but could provide an opportunity, together with the introductory articles of the Treaty, to do so in due course.

Comment

✓ We oppose Community competence in this area.

IV External Relations

The text groups in one section provisions on CFSP, trade and development policy and the external representation of the Community.

Common Foreign and Security Policy (CFSP)

This is brought within the Treaty of Rome but subject to different rules of procedure. The Presidency, not the Commission would represent the Community in international negotiations. The EP would have an increased role but no direct influence on decisions. Decisions would be only partially subject to the ECJ (this provision is particularly ambiguous.)

The text would introduce joint actions in foreign policy, decided by unanimity, binding on all member states. This means a member state could act in an area covered by a common policy only in agreement with other member states. Unanimity would apply at all times.

Security policy is included as an objective, but the text is left blank.

Comment: This text abandons a separate, strictly inter-governmental, pillar for CFSP and provides a clear invitation for a progressive extension of Community competence to foreign and security policy even if this is not the case immediately. It is clearly unacceptable.

Development

The text brings the Community's existing aid programme within the Treaty of Rome (the Lomé Convention is at present a separate inter-governmental Treaty). It introduces QMV and cooperation procedure with the European Parliament.

Comment: We oppose any strengthening of Community influence over our bilateral aid programme and our position in international aid bodies and any EP influence over the European Community's aid policy. Worse than Luxembourg text.

External Representation

The text would increase the Commission's role in representing member states in international organisations and negotiations in almost all areas of policy. The Dutch claim they intend to include specific provisions allowing member states to play a continuing role in those organisations and negotiations involving foreign policy, financial matters and interior/justice issues.

Comment: this would have wide-ranging and unacceptable implications for our freedom of action in international organisations, including the UN.

V Overseas Countries and Territories (no change)

VI Institutions

European Parliament: the text extends the non-legislative powers (recognising rights of petition and enquiry, improving financial accountability, establishing an EC Ombudsman and giving the EP a role in the appointment of the Commission).

It deletes the co-decision provision from the Luxembourg text, including a conciliation procedure with the EP. But it strengthens the cooperation procedure by giving the European Parliament a right of veto over legislation and by making it very difficult for the Council to reject European Parliament amendments that are supported by the Commission. This and the extension of the assent procedure to many areas of unanimity voting (allowing the EP in effect a veto) would give the EP co-decision in practice, if not in name.

The text also includes:

- ✓ - a reduction in the number of Commissioners to one per member state; (we agree);
- ✓ - strengthening the ECJ's power to enforce compliance through fines; (we agree);
- an advisory body of the regions, with 189 representatives of regional governments; (we are sceptical, but considering);
- ✓ - a strengthening of financial discipline and of the role of the European Court of Auditors; (we agree)

No change from Luxembourg text in any of these provisions.

European Community Department
(Internal)

13 September 1991

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REVISED DUTCH EPU TEXT

SUMMARY

1. PRESS REPORT DIVISIONS WITHIN CABINET OVER DUTCH EPU TEXT.

DETAIL

2. A DUTCH NEWSPAPER HAS REPORTED AN ACCOUNT OF A RIFT IN THE DUTCH CABINET OVER THE REVISED DRAFT EPU TEXT. HET PAROOL SAID THAT AT A CABINET MEETING LAST THURSDAY TO DISCUSS THE DRAFT, THE ECONOMICS MINISTER, ANDRIESEN, SOCIAL AFFAIRS MINISTER DE VRIES, AND JUSTICE MINISTER HIRSCH BALLIN HAD ACCUSED THE STATE SECRETARY FOR FOREIGN AFFAIRS, DANKERT, OF TRYING TO PRESENT THEM WITH A FAIT ACCOMPLIS. ANDRIESEN WAS SAID TO BE ANGERED BY THE FACT THAT THE DRAFT HAD BEEN CIRCULATED TO OTHER GOVERNMENTS BEFORE IT HAD BEEN CONSIDERED BY THE CABINET. THE SOCIAL AFFAIRS MINISTER DE VRIES AND HIS DEPUTY WERE REPORTED TO BE OPPOSED TO MAJORITY VOTING ON SOCIAL ISSUES. OTHER MINISTERS TOO WERE SAID TO BE OPPOSED TO AN EXTENSION OF QMV. THE JUSTICE MINISTER HIRSCH BALLIN WAS SAID TO HAVE OBJECTED TO THE PARAGRAPHS ON JUSTICE AND POLICE MATTERS.

3. THE ACCOUNT APPEARED IN HET PAROOL ONLY AND HAS NOT SO FAR BEEN WIDELY TAKEN UP BY OTHER NEWSPAPERS THOUGH DE VOLKSKRANT HAS MADE A LOW KEY REFERENCE TO CRITICISM OF DANKERT BY HIS COLLEAGUES AT THE MEETING. THE PRIME MINISTER'S DEPUTY SPOKESMAN HAS TOLD US THAT HET PAROOL HAD EXAGGERATED THE DIFFERENCES BETWEEN MINISTERS OVER THE REVISED TEXT.

JENKINS

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FRAME POLITICAL UNION

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FRAME POLITICAL

UKREP BRUSSELS TELNO 2217: POLITICAL UNION IGC: REVISED DUTCH TEXT

1. VAN BEUGE (DIRECTOR GENERAL, MFA) HAS CONFIRMED TO ME THAT PROCEDURAL CONCLUSIONS WERE REACHED BY TODAY'S INTER-MINISTERIAL MEETING, ON THE LINES DESCRIBED IN PARA 2 OF TUR. HE ADDS THAT BROAD AGREEMENT WAS REACHED AT THE MEETING TO A REVISED TREATY TEXT, INCLUDING CHANGES PROPOSED BY DANKERT IN THE LIGHT OF COMMENTS BOTH FROM COLLEAGUES AND FROM MEMBER STATES. TWO MINISTERS KOK AND ANDRIESSEN WERE HOWEVER INSISTING ON HAVING THE TEXT PRESENTED TO CABINET ON 20 SEPTEMBER BEFORE THEY COULD AGREE TO ITS BEING FORMALLY TABLED.

2. I ASKED VAN BEUGE WHETHER THE DRAFT HAD NOW RESTORED THE PILLAR STRUCTURE OF THE LUXEMBOURG TEXT. HE REPLIED THAT THE DRAFT REMAINED QUOTE UNITARY UNQUOTE. BUT HE CLAIMED THAT SOME CHANGES HAD BEEN MADE WHICH SOUGHT TO TAKE ACCOUNT OF OUR AND OTHERS CONCERNS. FOR EXAMPLE THERE WERE REFERENCES TO THE FUTURE EUROPEAN UNION IN THE ARTICLES DEALING WITH THE CFSP, WHICH NOW TOOK THE FORM OF AMENDMENTS TO THE SEA. VAN BEUGE ALSO ASSERTED THAT REFERENCES TO JUDICIAL COOPERATION AND POLICE MATTERS HAD BEEN MADE MORE CLEARLY INTER-GOVERNMENTAL.

3. I ASKED VAN BEUGE WHETHER THE STRENGTHENED COOPERATION PROCEDURE FOR THE EUROPEAN PARLIAMENT REMAINED AS IN THE DRAFT WHICH THE DUTCH HAD GIVEN US. VAN BEUGE SAID THAT DANKERT AS A FORMER PRESIDENT OF THE EUROPEAN PARLIAMENT WAS VERY ATTACHED TO THE PROPOSED INCREASE IN THE PARLIAMENT'S ROLE AND HE HAD PERSUADED LUBBERS AND VAN DEN BROEK TO KEEP IT IN, AT ANY RATE FOR THE TIME BEING.

COMMENT

4. WITHOUT SEEING THE TEXTUAL AMENDMENTS IT IS HARD TO JUDGE TO WHAT EXTENT THEY DO IN PRACTICE IMPROVE THE REVISED DRAFT. I THEREFORE SUPPORT SIR JOHN KERR'S RECOMMENDATION THAT THE PRIME MINISTER SHOULD SPEAK TO LUBBERS VERY FRANKLY ABOUT THE NEED TO RESTORE A STRUCTURE WHICH COULD PROVIDE A BASIS FOR AGREEMENT AT MAASTRICHT.

FCO ADVANCE JAY, PRENTICE FCO, WALL NO 10

JENKINS

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FRAME POLITICAL UNION

(2)PS

PS/PUS

MR P J WESTON

MR BAYNE

MR JAY

MR GOULDEN

(3)HD/ECD(I)

HD/ECD(E)

(1)HD/NEWS D

HD/SECPOL D

MR PRENTICE/ECD(E)

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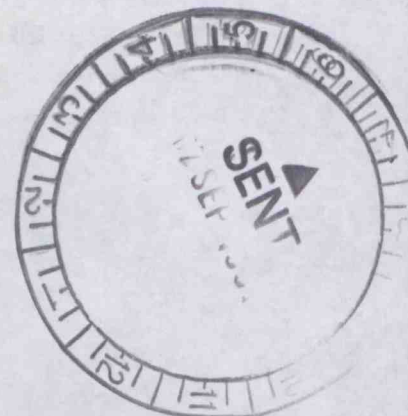
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INFO IMMEDIATE THE HAGUE

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FRAME POLITICAL UNION

THE HAGUE TELNOS 422 AND 441: POLITICAL UNION IGC: REVISED DUTCH
TEXT

SUMMARY

1. STILL NO DUTCH DECISION TO CIRCULATE A NEW TEXT. TALK OF
EXTENSIVE REVISIONS TO THE DANKERT VERSION. FINAL DECISION EXPECTED
ON 20 SEPTEMBER.

DETAIL

2. ACCORDING TO MY DUTCH COLLEAGUE (PLEASE PROTECT), A MINISTERIAL
MEETING AT THE HAGUE EARLY THIS MORNING CONSIDERED A NOTE BY
DANKERT DESCRIBING CHANGES WHICH MIGHT BE MADE TO HIS DRAFT IN
ORDER TO TAKE ACCOUNT OF THE VIEWS ON HIS EARLIER VERSION OF A)
OTHER DUTCH MINISTRIES AND B) OTHER EC COUNTRIES. THE MEETING
CONCLUDED THAT:

(A) THE MFA SHOULD WORK UP A REVISED TREATY TEXT ALONG THE LINES
RECOMMENDED.

(B) LUBBERS AND VAN DEN BROEK SHOULD DISCUSS IT AT A FURTHER
MEETING AT 1845 ON 18 SEPTEMBER.

(C) IF THEY AGREE, NIEMAN SHOULD BE INSTRUCTED TO SPEAK TO IT, BUT
NOT CIRCULATE IT, AT OUR SPECIAL REPRESENTATIVES MEETING HERE ON 19
SEPTEMBER.

(D) IN THE LIGHT OF REACTIONS THEN, A FINAL DECISION ON WHETHER OR
NOT TO CIRCULATE IT SHOULD BE TAKEN AT A MEETING OF THE FULL DUTCH
CABINET ON 20 SEPTEMBER.

3. I PRESSED NIEMAN ON THE NATURE OF THE CHANGES TO THE PRESENT

DRAFT RECOMMENDED IN THE DANKERT PAPER CONSIDERED THIS MORNING. THOUGH HE ADMITTED THAT HE HAD NOT SEEN IT, HE SAID THAT HE HAD BEEN ASSURED THAT THE CHANGES WERE EXTENSIVE. I PRESSED HIM ON WHETHER THEY RESTORED THE 'PILLARS' STRUCTURE OF THE LUXEMBOURG TEXT: HE SAID THAT HE HAD HAD CONFLICTING ACCOUNTS: IT SOUNDED AS IF THE INTERIOR/JUSTICE PILLAR MIGHT BE BACK BUT HE WAS LESS SURE ABOUT CFSP. HE HAS BEEN SUMMONED BACK TO THE HAGUE FOR TOMORROW NIGHT'S MEETING WITH LUBBERS AND VAN DEN BROEK, AND HOPES THAT HE WILL SEE BEFORE THE REVISED DRAFT TREATY TEXT. IF HE DOES, HE PROMISES TO GIVE ME A FURTHER PRIVATE BRIEFING.

COMMENT

4. IT IS GOOD THAT LUBBERS WILL NOT MAKE UP HIS MIND UNTIL AFTER THE PRIME MINISTER'S TALKS WITH HIM TOMORROW. IT IS ALSO GOOD THAT DANKERT'S IDEAS ARE BEING AMENDED, THOUGH IT IS NOT YET POSSIBLE TO JUDGE FROM HERE HOW FAR THE AMENDMENTS GO.

5. CLEARLY THE PRIME MINISTER WILL HAVE, IN TOMORROW'S TALKS, TO SPEAK ON THE BASIS OF THE ONLY DANKERT TEXT WHICH WE HAVE SEEN, AND TO PULL NO PUNCHES. PRESUMABLY LUBBERS MAY TRY TO KICK FOR TOUCH, ARGUING THAT OUR POINTS ARE FULLY UNDERSTOOD, AND AMENDMENTS ALREADY BEING MADE: IF SO THE PRIME MINISTER MAY WANT TO PIN HIM DOWN ON WHETHER THE AMENDMENTS WILL RESTORE A STRUCTURE WHICH PROVIDES A BASIS FOR AGREEMENT AT MAASTRICHT.

KERR

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Private Secretary ~~Secretary of State~~
 Mr Wall

Dutch text

Sir John Kerr has told us that according to his Dutch colleague in the Hague (source not to be revealed) the revised Dutch text contains some minor improvements and in some ways is a superficial return to the Luxembourg text, but is still basically a unitary text. Sir Michael Jenkins has given something of the same impression in the Hague.

If Hubbers tries to say that he has met our concerns in ~~the~~ a revised ~~new~~ text, I recommend the Prime Minister say:

- of course we shall look carefully at any text
- but the key - length by no means the only - point for us will be its structure
- what, for example, does the new text say on CFSP. Is CFSP clearly outside the Treaty of Rome, with no exclusive right of initiative to the Commission, and with no jurisdiction for the European Court of Justice? Is CFSP excluded from the list of Community aims & activities in Articles 2 & 3? These are the sort of points that will determine the our approach to any new text.

Sir John Kerr agrees with such a line.

Mr Jay

18/9/91