

RESTRICTED
FM THE HAGUE
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TELNO 440
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PRIME MINISTER'S VISIT TO THE HAGUE, 18 SEPTEMBER: SCENE SETTER

SUMMARY

1. KEY MOMENT FOR EXCHANGE OF VIEWS WITH PRESIDENCY, PARTICULARLY ON EPU. WE NEED TO STRESS THE DANGERS OF THE CURRENT DUTCH INITIATIVE, WHILE BROADLY SUPPORTING THEIR APPROACH TO EMU. OPPORTUNITY TO DISCUSS POLICY TOWARDS EASTERN EUROPE AND WIDER QUESTIONS RAISED BY THE PROSPECT OF EC ENLARGEMENT. LUBBERS' THIRD COALITION IS LOOKING SHAKY BUT WILL PROBABLY SURVIVE, AT LEAST UNTIL THE END OF THE YEAR.

DETAIL

INTERNAL POLITICAL SCENE

2. THE PRIME MINISTER WILL MEET LUBBERS THE DAY AFTER THE STATE OPENING OF THE NEW PARLIAMENTARY SESSION AND THE PRESENTATION OF THE DRAFT 1992 BUDGET. NEGOTIATIONS EARLIER THIS YEAR BETWEEN THE CDA (CHRISTIAN DEMOCRAT) AND PVDA (LABOUR) COALITION PARTNERS OVER THE BUDGET AND THE MEASURES NECESSARY TO REDUCE THE PUBLIC SECTOR DEFICIT WERE DIFFICULT AND PROTRACTED. TWO PARTICULAR PROPOSALS - REDUCTION OF DISABILITY AND SICKNESS BENEFIT, AND DROPPING THE LINKAGE BETWEEN SOCIAL SECURITY BENEFITS AND WAGE MOVEMENTS - CAUSED SUCH DISCONTENT AMONG THE PVDA RANK AND FILE THAT THE COALITION WAS BROUGHT TO THE BRINK OF CRISIS WITH AN EMERGENCY DEBATE IN PARLIAMENT LATE LAST MONTH.

3. IN THE EVENT, THE GOVERNMENT SURVIVED BUT IS NOT YET OUT OF THE WOOD. PARLIAMENT IS TO DEBATE THE MAIN ELEMENTS OF THE BUDGET OVER THE COMING WEEKS. MORE THREATENINGLY, COMPROMISE PROPOSALS ON DISABILITY/ SICKNESS BENEFIT AND ON LINKAGE, AGREED BETWEEN THE CDA AND PVDA ARE TO BE PUT TO THE VOTE AT A SPECIAL PVDA CONGRESS ON 28 SEPTEMBER. THE CURRENT EXPECTATION IS THAT THE CONGRESS WILL GRUDGINGLY ACCEPT THE NEW PROPOSALS AND THUS INCREASE THE PROSPECTS

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THAT THE GOVERNMENT WILL KEEP GOING AT LEAST UNTIL THE END OF THE YEAR. BUT THERE IS A DISTINCTLY RESTLESS MOOD IN THE PVDA. IF THE VOTE ON THE NEW PROPOSALS IS NEGATIVE IT IS ALMOST CERTAIN THAT THE GOVERNMENT WILL FALL: FRESH ELECTIONS WOULD PROBABLY THEN HAVE TO BE CALLED AND IT WOULD BE SEVERAL WEEKS OR EVEN MONTHS BEFORE A NEW COALITION ASSUMED OFFICE.

4. THERE HAS BEEN SPECULATION ABOUT THE EFFECT A GOVERNMENT COLLAPSE WOULD HAVE ON THE CONDUCT OF THE PRESIDENCY DURING THE INTERREGNUM. IF THE PVDA CONTINUED IN GOVERNMENT WITH THE CDA ON A CARETAKER BASIS UNTIL THE FORMATION OF A NEW COALITION, THE PRESIDENCY WOULD BE LITTLE AFFECTED, ON THE SURFACE, BUT MINISTERS' AUTHORITY WOULD UNDOUBTEDLY BE WEAKENED. IF, HOWEVER, AS SOME COMMENTATORS HERE ARE SUGGESTING, THE PVDA WITHDREW FROM THE COALITION ALTOGETHER THE CDA WOULD BE OBLIGED TO SOLIDIER ON ALONE AS A MINORITY GOVERNMENT UNTIL A NEW COALITION TOOK OFFICE AND ITS ABILITY TO TAKE DECISIONS WOULD BE FURTHER REDUCED.

IGC'S

EPU

5. IT IS DISAPPOINTING THAT THE DUTCH FOREIGN MINISTRY SHOULD HAVE DEVOTED TIME AND EFFORT DURING AUGUST TO THE PRODUCTION OF A REVISED DRAFT TREATY WHOSE STRUCTURE AND IN SOME PLACES SCOPE DEPART SO RADICALLY FROM THE TEXT WHICH WAS PRESENTED TO THE LUXEMBOURG EUROPEAN COUNCIL. WHY DID THEY DO IT? THE DUTCH HAVE MADE NO SECRET OF THEIR DISLIKE OF THE LUXEMBOURG TEXT. THEY HAVE ALWAYS FELT THAT BY PLACING TWO INTERGOVERNMENTAL PILLARS ALONGSIDE THE COMMUNITY PILLAR, AND CROWNING THE WHOLE WITH THE EUROPEAN COUNCIL, THE EC INSTITUTIONS TO WHICH THEY ARE DEEPLY ATTACHED WERE BEING DEVALUED. THE LUXEMBOURG STRUCTURE IS TOO REMINISCENT FOR THEM OF DE GAULLE'S ILL-STARRED FOUCHET PLAN IN THE SIXTIES WHICH WAS SUNK AT THE TIME ONLY BY DETERMINED DUTCH OPPOSITION.

6. NONETHELESS THERE IS EVIDENCE THAT NEITHER LUBBERS NOR VAN DEN BROEK HAVE SO FAR BEEN WHOLLY ENGAGED IN THIS EXERCISE, WHICH HAS BEEN CONDUCTED BY STATE-SECRETARY DANKERT AND A GROUP OF INTEGRATIONIST-MINDED OFFICIALS IN THE MFA. LUBBERS MAY HAVE CONCLUDED THAT, GIVEN THE STRENGTH OF FEELING IN PARLIAMENT AND IN PARTS OF HIS ADMINISTRATION, HE HAD NO OPTION BUT TO GIVE THE INTEGRATIONISTS THEIR HEAD BY ACQUIESCING IN THEIR FLYING THIS PARTICULAR KITE. BUT IN DOING SO HE HAS TAKEN A MAJOR RISK, GIVEN THE SHORTAGE OF TIME BEFORE THE EUROPEAN COUNCIL. IT COULD ALSO BE

HELD THAT THE DUTCH ARE EXPLOITING THEIR PRESIDENCY POSITION BY ABANDONING THE MIDDLE GROUND WHICH APPEARED TO HAVE BEEN IDENTIFIED AT LUXEMBOURG. BE THAT AS IT MAY, THE PRIME MINISTER WILL WANT TO LEAVE LUBBERS IN NO DOUBT THAT IF THE DUTCH DO FORMALLY TABLE THE NEW DRAFT THEY WILL IMMENSELY COMPLICATE THE EPU DISCUSSIONS AND RENDER THE PROSPECTS OF AGREEMENT AT MAASTRICHT ALL THE SLIMMER. GIVEN THE IMPORTANCE WHICH THE GERMANS ATTACH TO AN EPU TREATY AS A CONDITION FOR EMU, THE DUTCH COULD END UP WITH LITTLE OR NOTHING AT THE EUROPEAN COUNCIL IF THEY NOW MOVE SO FAR FROM THE LUXEMBOURG TEXT. THIS IS A POINT WHICH SHOULD WEIGH HEAVILY WITH LUBBERS. APART FROM HIS PERSONAL AMBITIONS OVER THE SUCCESSION TO DELORS, HE IS A MAN WHO INSTINCTIVELY LOOKS FOR POSITIONS WHICH CAN KEEP THE EC TOGETHER.

EMU

7. THE LATEST DUTCH PROPOSALS SHOW CLEAR SIGNS OF CLOSE COORDINATION WITH THE GERMAN FINANCE MINISTRY, BUT REPRESENT THEIR OWN EQUALLY STRONGLY HELD VIEWS ABOUT THE ECONOMIC CONDITIONS NECESSARY TO MAKE THE FINAL STAGE OF EMU WORKABLE. WHILE NOT ADVOCATES OF A TWO-SPEED EUROPE, THEY BELIEVE IT IS INEVITABLE THAT SOME MEMBER STATES WILL HAVE TO REACH STAGE 3 SOONER THAN OTHERS UNLESS THE FINAL STAGE IS TO BE INDEFINITELY POSTPONED, A PROSPECT WHICH THEY DO NOT RELISH.

8. THAT SAID, IF THE FRENCH LINE UP WITH THE ITALIANS IN STRONG OPPOSITION TO THE PROPOSALS, THE PRESIDENCY MAY FEEL IT MUST GIVE SOME GROUND. KOK'S TALK OF THE NEED FOR A QUOTE GLOBAL POLITICAL COMPROMISE UNQUOTE IS AN UNWELCOME SIGNAL IN THIS CONTEXT. BUT THERE WILL BE LIMITS TO HOW FAR THE DUTCH WILL BE WILLING TO GO OVER DEMANDS FROM THE SOUTHERN MEMBER STATES NOT ONLY FOR LAXER CONDITIONALITY, BUT ALSO FOR RESOURCE TRANSFERS IN THE NAME OF COHESION. WHILE RESERVING OUR OWN POSITION ON STAGE 3 OF EMU, WE NEED TO MAKE CLEAR THAT WE SUPPORT THE DUTCH APPROACH, IF ONLY TO DISCOURAGE THEM FROM CONCLUDING THAT THE CENTRE OF GRAVITY IN THIS DEBATE LIES SOMEWHERE TO THE SOUTH OF THEM. THE CHANCELLOR'S POSITIVE REACTION HAS BEEN FAVOURABLY NOTED HERE.

GATT

9. THIS SUBJECT WILL BE TAKEN FIRST BECAUSE DANKERT, WHOSE PRESENCE IS NEEDED FOR DISCUSSION OF THE IGCS, WILL ARRIVE LATE. THE DUTCH TRADE MINISTER, MRS VAN ROOY, WILL BRIEF THE MEETING ON PRESIDENCY PLANS FOR KEEPING UP THE MOMENTUM ON NEGOTIATIONS.

OFFICIALS HAVE TOLD US THAT THEY DOUBT IF DUNKEL WILL FEEL ABLE TO TABLE A POSITION PAPER WITHOUT A SIGNAL FROM THE COMMUNITY THAT THEY WILL MAKE REALISTIC PROPOSALS ON AGRICULTURE. THE DUTCH HAVE BEEN PRESSING THE COMMISSION, WHOSE ATTENTION THEY FEAR HAS BEEN DISTRACTED BY EASTERN EUROPE, TO LIAISE WITH THE GATT SECRETARIAT AND COME UP WITH SOMETHING ON AGRICULTURE FOR QUOTE POLITICAL DISCUSSION UNQUOTE AT THE INFORMAL TRADE POLICY MEETING IN THE HAGUE ON 11-12 OCTOBER. THEREAFTER, IF THE COMMISSION DO NOT PRODUCE A ~~FRAMEWORK PACKAGE~~ THE PRESIDENCY ARE CONSIDERING TABLING THEIR OWN. THE DUTCH THINK IT ESSENTIAL THAT THE COMMUNITY SHOULD TAKE THE NECESSARY DECISIONS BEFORE THE END OF NOVEMBER, WHEN EVERYTHING WILL GIVE PLACE TO THE IGC END GAME. THEY ARE STILL REFLECTING ON THE POSSIBILITY OF CALLING A SPECIAL EUROPEAN COUNCIL ON THE SUBJECT, IF NECESSARY, BUT HOPE THIS CAN BE AVOIDED. THEY WILL WELCOME OUR IDEAS.

EXTERNAL ISSUES

ASSOCIATION AGREEMENTS

10. THE DUTCH ARE STRONG BELIEVERS IN TRADE RATHER THAN AID AS THE KEY TO THE ECONOMIC DEVELOPMENT OF EASTERN EUROPE AND SHARE OUR VIEW OF THE NEED TO CONCLUDE SUBSTANTIVE ASSOCIATION AGREEMENTS QUICKLY WITH POLAND, CZECHOSLOVAKIA AND HUNGARY. LUBBERS HAS HIMSELF BEEN IN DIRECT TOUCH WITH FRENCH MINISTERS OVER THEIR RESERVATIONS ON THE ASSOCIATION AGREEMENTS. ON THE EEA NEGOTIATIONS, THE DUTCH HAVE BEEN PESSIMISTIC ABOUT THE CHANCES OF THEIR SUCCEEDING. BUT THEY HAVE A STRONG NATIONAL INTEREST IN GETTING THE BEST POSSIBLE TRANSIT ARRANGEMENTS THROUGH SWITZERLAND AND AUSTRIA (THE DUTCH CONTROL OVER A QUARTER OF THE EUROPEAN INTERNATIONAL HAULAGE MARKET).

ENLARGEMENT

11. ON THE WIDER QUESTION OF FURTHER ENLARGEMENT OF THE EC, DUTCH MINISTERS REALISE BOTH THE INEVITABILITY OF EARLY ENTRY BY SOME OF THE EFTA COUNTRIES, AND THE IMPORTANCE OF NOT APPEARING TO CLOSE THE DOOR ON THE EAST EUROPEANS: VAN DEN BROEK HAS EVEN SPOKEN OF OFFERING THE POLES, CZECHS AND HUNGARIANS THE PROSPECT OF MEMBERSHIP BY THE END OF THE DECADE. BUT THESE CONSIDERATIONS LEAD THE DUTCH TO SIDE FIRMLY WITH THOSE WHO FEEL THAT THE INSTITUTIONS MUST BE STRENGTHENED BEFORE ENLARGEMENT IF THE COMMUNITY IS TO REMAIN OPERATIONAL, RATHER THAN THOSE - SUCH AS OURSELVES - WHO ARE OPPOSED TO RAISING THE HURDLES TO ENTRY EVEN HIGHER. IF THERE IS

ME, IT WOULD BE WORTH THE PRIME MINISTER OPENING UP THIS ISSUE AND REINFORCING THE POINTS HE MADE LAST WEEK IN PARIS.

YUGOSLAVIA

12. ON THE WIDER QUESTION OF BUILDING A COLLECTIVE APPROACH BY THE TWELVE TO DEVELOPMENTS IN THE SOVIET UNION AND YUGOSLAVIA, THE DUTCH (AND NOTABLY VAN DEN BROEK) HAVE STRUGGLED MANFULLY SINCE JULY TO KEEP THE TWELVE TOGETHER AND TO GIVE A LEAD. THERE HAS BEEN SOME DOMESTIC CRITICISM OF VAN DEN BROEK'S ROLE (TO THE EFFECT THAT HE IS IGNORED BY THE LARGER MEMBER STATES WHEN IT SUITS THEM) AND EVEN SOME DISCUSSION AS TO WHETHER A COORDINATED FOREIGN POLICY IS POSSIBLE WHEN NONE OF THE LARGE MEMBER STATES IS REPRESENTED IN THE TROIKA AND ESPECIALLY DURING A CRISIS. BUT THIS HAS BEEN OUTWEIGHED BY A SENSE THAT THE DUTCH HAVE ACQUITTED THEMSELVES WELL AND, AS A RESULT OF THE MAJOR EFFORTS THEY HAVE MADE, HAVE SO FAR SUCCEEDED IN KEEPING EVEN THE GERMANS MORE OR LESS IN LINE. THE PRIME MINISTER MAY WISH TO EXPRESS HIS SUPPORT FOR THESE EFFORTS.

FCO PLEASE ADVANCE TO NO. 10.

JENKINS

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ADDITIONAL 5

FRAME

PS/NO 10.

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From: Anthony Smith, ECD(E)

Date: 17 September 1991

cc: Mr Jay

Mr Quigley CC 17/9
Assistant Private Secretary

PRIME MINISTER'S MEETING WITH LUBBERS, 18 SEPTEMBER: GATT

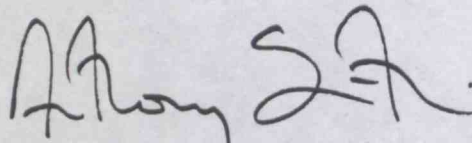
1. We spoke this morning about clarifying para 9 of the Hague's scene setting telegram (number 440). I consulted Mr Flower this morning, and DTI spoke to their Dutch trade contacts. The following summary may be helpful.

2. The Presidency expect:

- The Commission to work with the GATT Secretariat immediately to produce draft texts.
- The 23/24 September Agriculture Council to discuss CAP reform, including its GATT aspects.
- The 11/12 October Informal Trade Council to discuss the entire Uruguay Round, including agriculture.
- The Commission to produce an informal discussion paper on agriculture for the latter meeting. If they don't, the Presidency will.

3. The Presidency will then draw conclusions about the way forward including, a possible special FAC, European Council or G7 Summit. They will wish to exchange views on this at the meeting tomorrow.

4. The Prime Minister is fully aware that a G7 Summit is most unlikely to be useful though telephone consultations to ensure personal involvement of Heads could help. The briefing covers the other points.



A D R Smith

AS2ABI/1

*has also
done much
like this &
better for
Dunkel to
come forward
with ideas
on agric;
close to
negotiate,
open them
to his Council*

dti

the department for Enterprise

7 SEP 1991

RESTRICTED

To: PS/SECRETARY OF STATE

Copy: PS/MFT
 Sir Peter Gregson
 Mr Roberts
 Mr Muir EEP
 Mr Startup EEP2

From: ROGER ALLEN
 EEP2
 Room 208
 Ashdown House
 215 6166

Stephen
 - A note from DTI officials
 which seeks to clarify para 9
 of Telno 440 (attached).

17 September 1991

Stephen Speed

PRIME MINISTER'S VISIT TO THE HAGUE, 18 SEPTEMBER : SCENE
 SETTING TELEGRAM

Issue

1. Clarification of misleading report of Dutch intentions on GATT, as set out in paragraph 9 of The Hague telegram No. 440 (copy attached).

Recommendation

2. That you pass a copy of this minute to Stephen Wall at No. 10 for his information, before the Prime Minister's party leave for The Hague.

Background

3. The reporting telegram suggests that the Dutch Presidency have been encouraging the Commission to table a framework package (on agriculture, and perhaps on other subjects) in GATT, and reports that if the Commission do not do so, the Presidency are considering tabling their own. This is alarming, since it is our view that the best chance for a breakthrough in GATT is for the Council to avoid substantial debate until Dunkel has tabled a draft framework agriculture agreement. I therefore sought clarification from Van den Berg, Under Secretary in the Ministry of Economic Affairs in The Hague.

4. Van den Berg (who had just come from a meeting with Lubbers at which GATT was discussed) said that the Dutch had no such intention. Their view was that the Commission should take its responsibilities in the GATT negotiations, though it was not at present in a position to do so because of internal divisions. The Dutch expected discussion of MacSharry's proposals for CAP reform in the agriculture



the department for Enterprise

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Council, and wanted a general discussion of all Uruguay Round issues, including agriculture, at the informal meeting of Trade Ministers on 11/12 October. In this context, they hoped that the Commission would produce an internal paper as a basis for discussion, and failing that would consider producing one themselves. But there was no question of their seeking to draft a framework agreement - that was for Dunkel.

5. Van den Berg went on to say that after the Trade Ministers' meeting, the Presidency would have to consider a range of options for handling the Uruguay Round; these included bringing it to the Foreign Affairs Council, and calling a special European Council. It was too early to take decisions on these issues; but he hoped that Mr Lubbers would be able to discuss with Mr Major general questions of handling, including the relative merits of a European Council and a meeting of G7 Leaders. The briefing for the Prime Minister already covers these points. It seems that we and the Dutch see broadly eye-to-eye on the strategy to be adopted.

A handwritten signature in cursive script, appearing to read 'Roger Allen'.

R E ALLEN