



18 November 1991

Dear Colleague,

EUROPEAN NEGOTIATIONS

With the Maastricht European Summit some three weeks away I thought you might find it helpful to have an update on the negotiations on the so-called "Political Union" Treaty.

It is in our national interest to reach agreement on a Treaty at Maastricht if a measured and sensible package can be negotiated there. It is important we should be at the heart of events in the Community, not shouting from the sidelines. But we are not seeking an agreement at any price - unlike the 'born again' Europeans on the Labour benches. Our commitment is to build a Community which is outward-looking, which does not threaten national identity and which champions free trade.

The Community has recently taken a big step forward in reaching agreement with the EFTA countries on the formation of the European Economic Area. This will create a Single Market accounting for some 40% of world trade. In practice, it is likely to be a stepping stone to full Community membership for a number of EFTA countries. Countries like Sweden and Austria are not content with free trade and a Single Market; they want full membership. I hope to see completion of Association Agreements with Poland, Czechoslovakia and Hungary, with a view to their eventual full membership.

We have made some substantial advances during the Treaty negotiations, though there is still a long way to go.

First, we are now negotiating on a Treaty structure which recognises three distinct 'pillars' - the Community, and inter-governmental co-operation in two main areas - foreign and security policy and law enforcement. It is necessary to have Community institutions to police common policies, such as those which flow from the Single Market. The federalists would like to channel subjects like foreign policy and law and order through the Community. We reject such an approach. Throughout the negotiations we have argued to ensure that as the range of subjects on which we work together increases, the value of direct co-operation between national governments, accountable to their national Parliaments, is recognised. It is precisely because the present draft is not in essence federalist that the federalists want to include at the beginning a phrase about the eventual 'federal vocation' of the Community.



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Second, Britain's record in implementing and enforcing Community law is amongst the best. To discourage countries from signing up to directives in Brussels which they have no intention of enforcing at home the Treaty, at our urging, will empower the European Court of Justice to fine States which do not play by the rules.

Third, there has been a lot of understandable anger when the Commission has sought to intervene in the nooks and crannies of our national life. It is no great comfort to observe that we are not alone in this treatment. We are working hard with the Germans to require that the Commission should only take initiatives in areas where action can be more effective at a Community rather than at national level. This is the so called 'subsidiarity' clause. Decisions should be taken at the lowest practicable level. The provision in the draft Treaty is not yet as strong as we would like but we have made good progress.

Fourth, the draft Treaty provides an opportunity to build up co-operation between the Twelve against crime, though we do not accept Community competence in this area. Criminals have grown increasingly adept at using borders to evade detection and punishment. The international dimension is of growing importance in areas like fraud, drugs, terrorism, counterfeiting, and organised crime. The removal of barriers after 1992 should create opportunity for legitimate businesses, not for crime.

I turn to five major areas of the Political Treaty which are likely to be debated at Maastricht:

#### Foreign Policy

Britain has long advocated closer foreign policy co-operation between the Twelve. When we agree a position together it is more likely to have an impact than if each of us goes our own way. A great deal of co-operation already takes place and has been generally successful towards Eastern Europe and the Soviet Union. We want to see it strengthened. We do not believe that this an area where Community competence should encroach, nor would it be right to decide substantive matters of foreign policy by majority vote. It would weaken the effectiveness of such co-operation if, rather than acting by consensus, Foreign Ministers had to return to their national Parliaments to describe an important change in policy and explain that they had always opposed it.



### Defence

The recent NATO Summit in Rome produced a valuable statement. It stressed both the need for a proportionately greater European contribution to our own defence and the importance of this being compatible with NATO. Britain took the lead a year ago when we proposed a greater role for the Western European Union, including setting up a European Reaction Force to meet out-of-area threats. The recent Anglo-Italian paper envisages the WEU acting as a bridge between NATO and the European Council. A continued American military presence in Europe is essential to our security. It must not be placed in jeopardy. Any European defence effort must be compatible with our shared NATO obligations and must not duplicate let alone contradict what NATO does.

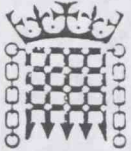
### Crime/Immigration

Britain has worked for closer co-operation between the Twelve against terrorism through TREVI. We want to build much closer co-operation in this area, including more exchanges of criminal intelligence. We have tabled our own proposals. Co-operation is most sensibly undertaken in this area inter-governmentally rather than through involvement of the Community institutions.

We can, similarly, see no case for transposing the sensitive issues of immigration and asylum into Community competence. It would be foolish to give the Commission an exclusive right of initiative in these areas. Immigration should remain an essentially national responsibility. Indeed, inter-governmental co-operation is yielding fruit. We hope that it may soon prove possible to sign the External Frontiers Convention which sets out criteria for third country nationals entering the Community for short stays and for mutual recognition of visas. As regards asylum, we can learn from each other in working out shared approaches to a common problem.

### Social Policy

We have consistently argued against any wholesale increase in either Community competence or in the use of Qualified Majority Voting. We are particularly alert to the costs which could flow from extensions of competence. We were, in many ways, the architects of the Single Market 1992 programme. This was achievable only through moving to a system of Qualified Majority Voting (QMV) for 'single market' issues, which is why we agreed to it in 1987. We have been out-voted on only four occasions, which is rather less than other big countries. We will only agree to any further extension of QMV where a clear case has been made.



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We are not prepared to see majority voting in the social area. We will not agree to measures which impose heavy burdens upon business or which threaten to undo the advances made in British industrial relations over the last decade. Our national interest and the need to keep European industry competitive in world markets make it essential to stand firm.

#### European Parliament

British proposals to strengthen the European Parliament's powers over the Commission, particularly in relation to budgetary control, are accepted in the draft Treaty. The Commission needs to be held more accountable for the way in which it uses its powers. This should be the main focus for the Strasbourg Parliament.

The European Parliament has strong entrenched powers over the European Budget and an influential but consultative role on European legislation. We have strongly resisted any moves to give the Parliament the right of 'co-decision' over legislation with the Council. Such ideas have largely bitten the dust. There may be scope, as part of a final package at Maastricht, to give the Parliament a limited negative assent power in some areas where decisions are taken by Qualified Majority. Our test will be that we will not agree to changes which diminish the role or authority of national Parliaments.

We are working with the French on a declaration designed to strengthen the role of national Parliaments in the formulation of Community legislation. Westminster and the Danish Parliament have the most developed scrutiny procedures in the Community.

#### Conclusion

We have taken a constructive approach. There are now a number of British objectives which the Treaty can further, though there are also proposals in the present draft which we are bound to resist. There will be no leap forward to embrace a 'federal vocation' for Europe. What we can offer is a number of sensible steps forward which will deepen co-operation and streamline the way the Community works. A Treaty of this sort, if we can get it, would be good for Britain, good for Europe and good for our Party.

DOUGLAS HURD



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18 November 1991

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PS to the Prime Minister  
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*Dear Stephen.* *file*

/ I thought I should send you a copy of a 'Dear Colleague' letter on the Political Union Treaty which the Foreign Secretary has despatched to Conservative MPs today.

*your sincerely*

*Edward Bickham*

Edward Bickham  
Special Adviser

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SECRETARY OF STATE'S EVIDENCE TO FAC

STATE OF NEGOTIATIONS POST-CONCLAVE

*File 2*

- Two days discussion at Noordwijk ran through latest Dutch text. Straight talking as negotiations approach Maastricht.
- Discussion centred on the following areas of the text with the aim of narrowing the agenda for Maastricht:
  - Citizenship
  - Institutional questions, including role of EP
  - Competence
  - Structural questions
  - CFSP
- On Citizenship there was broad agreement on a text which meets our concerns.
- There was also general agreement on a range of points proposed by the UK for institutional reform, including: power for the ECJ to fine states for not complying with Court judgements; treaty language on the fight against fraud; and stronger EP control over the Community budget.
- A satisfactory package on non-legislative powers for the EP (rights of enquiry, petition, appointment of an ombudsmen etc) also won general support.
- On the legislative role of the EP, I said that we would consider adopting the negative assent procedure now proposed (Article 189b procedure) as part of a final outcome, provided that the scope of its application is strictly limited. I made clear that the Dutch Presidency proposals on scope go far too wide. Unlikely to be resolved before Maastricht.

- There was a thorough discussion of competence texts, at my insistence. Some of these are now looking better, for example the ban on harmonisation measures in the education, health and culture texts. But others remain problematic. Many do not add anything of value, nor do they meet the criteria of subsidiarity, free market philosophy and avoiding undue cost.

- On structural questions I welcomed the pillared structure of the new text, a far cry from the earlier Dutch version. But I argued for further changes to ensure a clear distinction between the pillars and in particular to limit the role of the ECJ. This is something that we continue to see as important, and which we will pursue all the way to Maastricht.

- There was further discussion of how a CFSP would operate in practice. I again rejected QMV for substantive foreign policy decisions and expressed my scepticism that this could ever prove workable in practice. On defence, I argued for parallel progress on a satisfactory treaty text and a WEU declaration. I expect both the CFSP and defence question to go to Maastricht.

- Conclusion: some limited progress made, and the issues for Maastricht certainly narrowed. There will be a further Conclave on 2 December, preceded by a tour of member states capitals by Lubbers, (London on 22 November). Tough negotiations remain if we are to reach agreement at Maastricht.



### UK Vision of Europe?

- Cannot see European integration following a pre-determined pattern. Political Union is only a process, not an end-state.
- Community a unique constitutional experiment, neither federation nor confederation. But more than a traditional inter-governmental pact. Impossible to predict how it will develop.
- But develop it must. Needs to respond to challenges and responsibilities which accompany economic power. Can only do so successfully by consensus. Key point is that each institutional step forward must be institutionally sensible.
- Community must respect principle of subsidiarity. No unnecessary intrusion by Community into national affairs.
- Community must be accountable for its actions and decisions: closer involvement of national parliaments, tighter European Parliament control over the Commission.
- Community must remain open, liberal and competitive. Avoid temptation to overregulate, stifling competition and enterprise.
- Need stronger common, foreign and security policy to increase our collective influence. Likewise, Europe should do more for its own defence. But must never weaken integrity of ~~anti~~-alliance.
- Community should remain flexible and open to all aspiring applicants who can fulfil the conditions of membership. Important that Maastricht sends the right signal to them too.

SECRETARY OF STATE'S EVIDENCE TO FOREIGN AFFAIRS COMMITTEE  
19 NOVEMBER

SUPPLEMENTARIES

IGC: POLITICAL UNION

Structure

- Present structure basically right. No attempt to reintroduce unitary structure of earlier Dutch draft. But need to guard against clauses which weaken the distinction between Community competence and inter-governmental action.

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Availability of Treaty texts

- Cannot make these formally available. Do not satisfy rules for deposit of EC documents. Presidency seek to keep negotiating documents confidential. Even so have made sure two Scrutiny Committees, FAC and Library of the House receive new Treaty texts as soon as they are available. As we did last Monday.
  
- House of Lords Report July 1991 welcomed this openness.

### Competences

- Wide range of proposals for extension of Community competence, both revisions of existing chapters and new text.
- UK not convinced that these Treaty amendments are necessary. Community has not in practice been prevented from taking necessary action in any of these spheres. Subsidiarity should apply.
- Therefore have argued strongly for more realistic approach, and for deletion of more marginal proposals (eg new texts on tourism, consumer protection, civil protection). Some support for this view
- But cannot hope to win all of these battles. Overall objective therefore are to:
  - : preclude harmonising measures where these are inappropriate;
  - : limit financial and economic costs;
  - : obtain decision-making procedures (eg unanimity) which will preserve maximum national control.

### Subsidiarity

- Important principle which should apply across the board of all Community activity.
- Need to get the texts right so that it has the desired effect, not the opposite.
- Strong support from Germany (Laender considerations). And recognition of principle's importance by other member states. Still working on the text.
- Important to have text in treaty itself, so that ultimately it is justiciable before the ECJ.

QMV

- QMV has worked well in Single Market context: all member states agreed on basic objective, QMV has helped us achieve this rapidly.
- No other directly analogous programmes. Therefore see no strong case for <sup>widespread</sup> further extension.
- ~~Do not accept~~ <sup>need not imply</sup> QMV ~~implies~~ loss of national influence. UK <sup>skill</sup> able to influence debate. Others are outvoted far more often than we are (only 4 times in areas to which QMV was extended under SEA).

Regional Committee

- We support principle of increased voice for the regions at EC level. Committee of the regions as proposed in draft treaty would be a <sup>use for!</sup> significant step in formally recognising regional role.
  
- Draft treaty provision provides regional committee with advisory role in education, structural funds, trans-European Networks, health, culture, tourism and cohesion. In addition, the Committee may submit an opinion on any issue it considers involves specific regional interests. No great problem with the proposed scope on which the Committee might offer its advice, although some of the texts mentioned have considerable other difficulties.
  
- We can accept the Committee as proposed in the draft treaty in principle.
  
- Key point is that member states would be responsible for appointing members.

### Cohesion

- Pressure from Southerners for Treaty change, implying more funds, for economic and social cohesion.
- Cohesion best pursued by sound macro-economic and supply side policies supported by the existing structural funds with the European Investment Bank. Therefore see no need for new instruments or additional finance.
- Remains to be seen how strongly Southerners pressed their claims at Maastricht. Strong Northern phalanx resisting claims for additional finance.
- Next year, Community will review Structural Funds and other financial arrangements anyway. That is the time to tackle any new southern demands.

### Citizenship

- Luxembourg European Council conclusions stressed the importance of establishing Union citizenship.
- Clear that member states themselves retain absolute right to decide who is a national: separate declaration.
- Citizens will have right to free movement and residence as under existing treaty and legislation.
- Also creates new rights:
  - : right to vote and stand in municipal and EP elections in member state of residence;
  - : right to diplomatic and consular protection by another member state where member state of nationality is not represented;
  - : right to petition EP/apply to ombudsman.
- Voting rights: Home Office estimate up to 500,000 EC nationals may be resident in UK. This compares with existing electorate of 43 million, of whom about 1 million are Commonwealth of Irish citizens. Therefore unlikely to be any significant impact on election results.
- No question of these provisions being extended to national franchise.
- Ratification by national parliaments would be required for any further "rights".



### Social Policy

- Community must have a social dimension. But Treaty amendment not necessary to achieve that. Existing provisions for free movement, health and safety and equal pay are sufficient. Look at scope of Social Action Programme. If necessary further action can at present be taken by unanimity.
- Amendments proposed by Presidency, backed by majority of our partners, bring a number of areas within Community competence best left to member states.
- Attempt to meet specific concerns has led Presidency to restructure chapter: some areas of unanimity, some areas of QMV, some exclusions. Doubtful these distinctions will hold in practice.
- Indicative of sensitive national differences in this area. Hope Presidency will see that ambitious proposals are unnecessary, unworkable and unnegotiable.

## Powers of the European Parliament

### Non-Legislative Powers

- Neglected area of EP activity hitherto.
- Welcome a range of proposals throughout the Treaty for enhancing the European Parliament's role. Recognise importance of the EP: its role must develop along with that of the Community.
- Financial Accountability: EP should exercise much more control over Commission. Agreement now on UK proposals for EP to monitor Community expenditure and specific right to summon Commission to account.
- Also rights for EP to set up Committee of Enquiry: appoint an ombudsman and for union citizens to petition EP: all increase accountability of Commission and other Community institutions.
- Willing to see formal EP role in appointment of Commission and president. But not Commission election on basis of its legislative programme, nor loss of national right to nominate our own Commissioner.
- Wide support for UK proposal to reduce number of Commissioners from 17 to 12. Will add to Community's efficiency and effectiveness.

### Legislative Powers of EP

- Reluctant to upset institutional balance. SEA entered into force only 4 years ago, giving significant increase in EP legislative powers on wide range of legislation.

- Negotiation has whittled down "codecision" procedure earlier proposed. We succeeded in dropping the label, because "Codecision" a misnomer for what is now proposed - simply a negative assent procedure, adding a third reading to the cooperation procedure.
- In effect new procedure proposal would give EP a right to block legislation in certain areas where EP is already involved through cooperation procedure.
- Ready to consider this new procedure, provided that its scope of application is very limited. Council would in any event retain the last word on the substance of legislation.
- No agreement yet on which areas should be covered [single market, R&D, environment framework].
- Other proposals for extension of cooperation procedure and assent will be examined on case by case basis. Final scope of EP's powers will not be settled before Maastricht.

### Rule of law/ECJ

- UK leading the way in strengthening rule of law in Community. Have proposed:
  - (i) declaration by member states undertaking to implement directives; some automatic reviews in Councils already (Internal Market, Social), at UK initiative;
  - (ii) declaration on ensuring mechanisms for enforcement exist;
  - (iii) ECJ financial sanctions on member states which fail to <sup>comply with</sup> ~~implement~~ a second adverse judgement; this will improve compliance;
- All of these proposals reflected in Presidency draft Treaty text. Substantial benefits for Community efficiency and effectiveness.

### Role of ECJ

- UK strong supporter of Rule of Law - ECJ plays a vital role in ensuring compliance and a level playing field.
- ECJ operates within a framework of law; its job is to interpret the treaty.
- Naturally not all ECJ judgements are welcome to us on policy grounds [e.g. Barber]; though many are [e.g. its tough line on state aids].
- Recognise growing pressures on Court procedures: Court of First Instance set up in 1988; and further procedural improvements proposed in this IGC.

## INTERIOR/JUSTICE COOPERATION

- European countries must work more closely together to combat illegal immigration, abuse of asylum and organised crime. No argument about that. But these are issues of great domestic political sensitivity.
- So cooperation in these areas must remain on an inter-governmental basis, with member states responsible for policy.
- Present proposals are for separate interior/justice chapter within the Treaty of Union, but outside the Treaty of Rome. But this contains a link to Community competence, which we want to avoid.
- Also separate Article within the Treaty of Rome dealing with certain aspects of immigration policy. Arguing strongly against inclusion of any of this within Community competence.

## Internal Frontier Abolition

- UK committed to free movement of Community nationals. But must ensure continuing security, by keeping up necessary defences against drug trafficking, terrorism and other serious crime, and against illegal immigration.
- For the UK, 'water's edge' checks are effective, and cost effective. Schengen arrangements not suitable for an island.

### Immigration and asylum

- Growing concern in many member states. UK fully committed to intergovernmental cooperation with EC partners. Home Affairs Ministers, meeting on 2 December, will finalize report for Maastricht on immigration and on asylum, (Luxembourg Council remit). Reports set out range of proposals for future work programme.
- Different backgrounds to immigration problems in different parts of Community. So single Community response or Community competence inappropriate.
- Is new Asylum Bill compatible with developments in EC? Many of our partners are facing similar problems.
- Our bill will speed up the determination process to ensure that genuine cases are identified promptly and that rejected applicants leave the country.
- Nothing in the bill or associated rules has been introduced as a direct result of discussions with our partners. But the measures introduced are fully compatible with the thrust of European thinking.
- Most partners already have a right of appeal, and powers to fingerprint.

### External Frontiers Convention

- Immigration/Trevisi ministers reached agreement in June on substance which would harmonize the controls applied at the external frontiers of EC member states on short-stay (3 month) visitors, including mutual recognition of visas.
- But signature still blocked by Spanish objection to application of the convention to Gibraltar. We are continuing to seek an acceptable solution.

### Free movement of non-EC nationals

- We maintain immigration checks on all third country nationals entering the UK, wherever they are resident. Justified under the Treaty of Rome, which does not provide for free movement of third country nationals (except where they are dependents of EC nationals).
- External Frontiers Convention includes provision for visa-free short visits to another member state by non-EC nationals resident in the Community.
- A third country national's right of residence given in one member state implies no right of residence or employment in another.

## EUROPOL

- UK fully supports proposals for increased police cooperation between member states.
- We are chairing preliminary work in Trevi on European Drugs Intelligence Unit, a UK proposal at the Dublin European Council. Partners agree that should become the first element of EUROPOL.
- Hope EUROPOL will become effective body for concerting and exchanging data.
- UK, and majority of partners, do not believe that EUROPOL or any aspects of criminal law, should come within Community competence. Nor that EUROPOL should have powers of enforcement in the member states: no common system of law to enforce.



## CFSP

### British interest

- UK has always been strong proponent of EPC.
- Stronger European foreign policy in our interests: puts combined weight of Twelve behind our shared objectives.
- Therefore favour stronger commitments to formulate common positions and actions.
- And stronger commitments to abide by these - as the UK already does.

### CFSP outside Treaty of Rome

- CFSP must continue to be an inter-governmental process.
- This is a key UK objective, which we are succeeding in realising.
- The Commission and European Parliament will not play a significantly greater role than they do in EPC.
- ECJ jurisdiction will be excluded.

### National Freedom of Action

- UK will retain its existing freedom for manoeuvre.
- The key safeguard is that all significant decisions will be made by consensus: thus common positions and actions cannot be agreed without UK's consent.

- If no common position exists, there are no constraints on national action.
- If one does, we shall abide by it as we do now.
- We cannot, on the one hand, want a stronger European foreign policy, and, on the other, want to be able to ignore the existence of common positions.
- ~~There are two let out clauses permitting national action under joint action. We do not believe that such clauses are necessary under cooperation.~~

#### UK position in Security Council

- We already uphold common positions in the Security Council. We will continue to do so.
- But we will make sure we have the necessary freedom of action we require to ensure we fulfil our responsibilities as Permanent Members.

#### Joint Action

- We favour joint action where it makes most sense for Twelve to act together, eg Yugoslavia.
- This is already happening in practice.
- We are willing therefore to accept Treaty language which reflects and strengthens this practice.

#### QMV in CFSP

- QMV is not a sensible way forward. Believe it would weaken common positions and create appearance of disunity.
- No question of accepting use of QMV for any decision of principle or affecting important interests.
- Have achieved recognition from partners that this would be undesirable.
- What we are now considering is whether there is a case for use of QMV for certain secondary, implementing decisions.
- ~~If this helped to meet our objective of a stronger European foreign policy, we are willing to contemplate it.~~

#### CFSP and EPC: differences

- Stronger commitments to formulate and abide by common positions (UK favours this because we support a stronger European foreign policy).
- Scope: expanded to cover broader range of security issue (UK favours so long as defence is excluded).
- Joint action: higher collective discipline on certain subjects (UK favours - as UK practices this discipline already - so long as the subject chosen makes joint action workable).
- QMV: (UK opposes. Still under discussion).

## EUROPEAN SECURITY AND DEFENCE

### What do we want to see in Treaty?

- As Prime Minister suggested at Rome, could accept the "longer term perspective of a Common Defence Policy compatible with that of the Atlantic Alliance" (Anglo-Italian Declaration).
- Security provisions of the Treaty should be fully compatible with NATO.
- Defence questions should be responsibility of the WEU.

### QMV for defence

- UK believes WEU should be responsible for defence issues arising from CFSP. In any case see no advantage in QMV for CFSP. No question therefore of accepting QMV for defence.

### Review of security/defence provisions of Treaty

- Prepared to agree to review in about 1996. But it must take account of the independent status and views of the WEU.

### UK isolated

- Quite the reverse. Our ideas (as set out in Anglo-Italian Declaration) on European defence compatible with NATO gaining increasing acceptance. Working for agreement in this area by Maastricht, but not at any price.

### Importance of NATO Summit

- See discussion in three fora (NATO, IGC(P) and WEU) as single process which should by Maastricht produce coherent picture of how EDI to be reinforced, and of its place in new European Security Architecture.
- Specifically, we are aiming to make parallel progress on security/defence elements of Treaty, and on WEU Declaration on WEU's future role, and its links with Union and Alliance.
- Rome Summit a useful step in defining European Defence Identity: clarified positions and focused minds on defence realities. (President Bush right to ask whether Europeans want continuing US presence: answer was a resounding yes). EDI passage in Summit Declaration an advance on Copenhagen. Unambiguous statement in Declaration and Strategic Concept that NATO alone to remain responsible for defence of NATO area.

### What HMG mean by European Defence Identity?

- Set out Anglo-Italian Declaration.
- Defence of NATO territory should remain NATO's task.
- But strongly support reinforced European defence identity. Should be both European pillar of the Alliance and the defence component of (Political) Union.
- Instrument for the EDI should be separate WEU, with close, but not identical, links with Alliance and Political Union. Must be capable of making its own decisions, though taking account of positions of both the European Council and NATO.

- WEU should organise itself to make a more coherent European input into Alliance consultation; its operational role should be complementary to NATO.

- Outside NATO territory, WEU would be responsible for organisation, planning and deployment, in consultation with other Allies.

#### WEU membership?

- Envisage a special relationship of association for other European partners and European Allies. Should be no discrimination between those Allies who belong to the Community and those who do not.

#### WEU relations with the CEEs?

- Support upgrading of those relations. But doubtful about building up WEU's "foreign policy" until its future role has been resolved.

#### WEU Declaration: link to Treaty?

- Want to see parallel progress on Treaty and Declaration. Latter needs to be agreed, if not actually adopted before Treaty language on security/defence can be finalised. One possibility might be to annex WEU Declaration to Treaty.

#### UK view of Franco-German proposals?

- Euro-Corps? Only a footnote to Franco-German proposals. Our impression that the French and Germans have not thought this through fully. Do not see how it fits in with NATO integrated military structure. No point in duplicating what NATO does, and does well. Essential NATO should not be undermined.

- Same as European Reaction Force (ERD)? No: the proposed ERF would operate outside Europe, ie outside NATO territory. Not a standing force; permanent planning cell would be able to call on range of forces depending on military requirements.

Our main differences with French/Germans?

- Differences may be more apparent than real. French and Germans agree with us on:

- need to strengthen European contributions to collective defence;

- need to maintain and strengthen NATO.

- WEU as vehicle for reinforced European defence identity.

- much encouraged by progress at Rome.

- But differences do exist: crux is whether Political Union should have own defence policy. We can accept long term perspective of Common Defence Policy provided that it is compatible with the Alliance. French and Germans seem to want a Common Defence Policy now, and would like the WEU to subordinate to be bound more closely to the Union than to the Alliance. HMG wants the WEU to have balanced, though not identical, links to both.

What do you mean by "organic links"?

- WEU/NATO closely linked through Washington and Brussels Treaties. WEU/Political Union should have similar, but not identical, close ties, through link between a Declaration by the WEU and the Union Treaty.

Sovereignty implication of a European Central Bank?

Any Member State which moved to single currency would inevitably be ceding a degree of sovereignty over its national monetary policy. This is an issue which would have to be taken into account in any decision by the British Government and Parliament to move to Stage III.

UK commitment to a single currency?

Have made clear that we cannot accept Treaty changes that would bind us to move to a single currency without a separate decision at the appropriate time. Government and Parliament must be able to decide whether to move, not just when.

Will UK commit itself never to move to a single currency?

Stage III a long way down the road. This House cannot bind its successors. It should be for future Government and Parliament to decide whether to move to a single currency.

Status of Dutch text circulated on 28 October?

A working document produced as the basis for further negotiation. It is the responsibility of the Dutch Presidency. Member States are not committed to any particular part of its contents. HMG has plenty to say about it in the IGC, and will make its views clear to the other Member States.

Dutch text solves UK's difficulty on no imposition?

Text shows a constructive approach to meeting British concerns in this area. We will be making comments in the IGC on the text as it stands, and consider what further amendments are necessary. UK has made clear that it cannot accept imposition of single monetary policy and single currency.



Will UK sign declaration of intent to move to a single currency?

Have made clear that we cannot accept an agreement committing us to move to a single currency. Essential that UK concerns on this are met by provision which carries the full legal status of the Treaty. If other Member States wish to sign a non legally binding declaration outside the Treaty, that is a matter for them. But such a declaration could not affect the legal form of the Treaty.

Can agreement be reached at Maastricht?

Yes. Substantial differences remain, but UK continues to negotiate constructively. Hope and expect to find way forward acceptable to Parliament and to European partners.

Articles 2/3A of the Dutch draft imply commitment to a single currency?

We are of course looking carefully at the precise wording. But the opening articles explicitly provide that the statement of Community activities should be seen in the context of the Treaty as a whole. So the general statement is satisfactory as long as the provisions of the rest of the Treaty, especially on no coercion, are satisfactory.

Binding rules on budget deficits?

HMG opposed to running excessive budget deficits. But believe binding rules both unnecessary and undesirable. We have argued our case successfully in respect of Stage II (draft text provides no legally-binding rules or sanctions in Stage II). We will continue to argue that the Community should rely on market forces and peer pressure in Stage III also.

## SINGLE MARKET

### Progress

- A mainstay of the EC Programme. Hope to complete Single Market Project by end of UK Presidency.

- UK record on implementation extremely good. UK has proposed new powers for the ECJ to fine member states whose implementation record is poor.

### Dutch Presidency

- Dutch Presidency has advanced the Single Market programme. Concentrated on pharmaceuticals, public procurement of services and insurance/investment.

- Progress on Investment Services Directive stalled over regulated markets issue. Presidency trying to forge compromise. UK arguing for provisions which are neutral in effect on market issues.

EC/SOVIET UNION

EC Assistance?

- UK playing active role both within EC and G7.
- EC providing food/medical aid standby package worth up to £1.4 billion in case of shortages this winter. Up to 50% to be sourced in Eastern Europe.
- £175 million EC food aid grant now being delivered by NGOs to orphanages, hospitals and old peoples' homes in ten republics. A further £350 million should begin to arrive before Christmas; more to come from the £875 million standby package early in New Year. UK pressing for inclusion of animal feed.
- UK urging Commission to ensure that EC assistance is properly targeted and distributed.
- £50 million UK Know How Fund for Soviet Union over three years. EC committing further £280 million in technical assistance in 1991, to help with food distribution, energy and financial services.

Concerted EC Recognition of Republics?

- HMG policy recognising states, not governments.
- Do not want to precipitate break-up of Union. But must not hide from realities of situation.
- HMG's criteria for recognition include: whether State has clearly-defined territory, with government able to exercise effective control and act independently in external relations.

- Very much in UK/Western interests to achieve uniform EC/NATO stance on recognition, especially of Ukraine: can use this to impress on republics importance of Soviet security obligations (eg NPT, CFE, CSCE) and need to deal sensibly with debt.

- UK coordinating urgently with EC partners to this end.

Joint EC Representation?

- Press reports exaggerated. No question of joint missions. But are interested in pragmatic cooperation, eg shared premises, in Soviet republics.

## EC/MIDDLE EAST PEACE PROCESS

### Role in Peace Process?

- EC a full participant at Madrid peace conference through the Presidency. Intends to play active role in multilateral discussion of regional issues and to follow progress in bilaterals closely.

### UK Input?

- Played full part in Presidency statement at Madrid. British official had seat in EC delegation. Will be on Troika from January.

### EC One-sided? Traditional Policies Abandoned?

- Role is to help parties reach agreement. Working closely with co-sponsors. Have our ideas, set out in successive European Council declarations. Still advocate these. But not for us to prescribe solution.

### EC/Israel?

- Economic ties already close. Close political consultations. Open to Israeli ideas for closer cooperation. Discussions on economic links in Brussels this month. Settlement of Arab/Israel dispute would open way for closer cooperation with whole region.

### Israel/European Economic Area?

- Premature to speculate about this. Not yet discussed within Community. Building on existing EC Cooperation Agreement may be better way forward.

## EC ASSOCIATION AGREEMENTS

- Soviet coup underlined need to underpin reform process in Eastern Europe. UK playing prominent part in international economic assistance within the Community and G24. Also helping nationally.
- UK initiative to conclude EC Association Agreements with Poland, Czechoslovakia and Hungary. Prime Minister successfully pushed for accelerated negotiations. These should be concluded this month.
- Will mean more competition for Community producers. But liberal trade access more effective than aid in encouraging sustainable economic development: cannot leave East Europeans on drip feed of dependence.
- Always recognised agriculture is a sensitive sector. Took into account both impact of any concessions on our own producers, and need to encourage development of market economies in eastern Europe. Have also ensured all Member States bear a fair share of the burden.
- EC Trade and Co-operation Agreements to be negotiated with Baltic states and Albania. Exploratory talks on a possible Association Agreement with Bulgaria underway. Ready to look now at case for Association Agreement with Romania.

Recognition of Croatia/Slovenia

- Entirely understandable that Yugoslav republics are continuing to assert their desire for independence. No doubt that they will have it. But this should come as part of a negotiated general settlement involving all Yugoslav parties. Only way of guaranteeing rights of minorities. Also need to be sure that recognition would help protect Croatia/Slovenia. Not yet clear that this is case. Could even inspire Serbs to tighten grip. But all options under constant review.

EC Sanctions against Yugoslavia

- EC Ministers agreed on 8 November to apply restrictive measures against Yugoslavia. Most important measure is suspension of Trade and Cooperation Agreement. Will deprive Yugoslavia of preferential access to EC market and thus help to bring home economic cost of continuing fighting.

- EC Ministers also agreed to suspension of Generalised System of Preferences for Yugoslavia (future reducing preferential trade access) and suspension of EC 's PHARE programme of technical assistance (worth £43 million in 1991).

Oil

- EC Ministers also agreed on 8 November to work for a UN Security Council Resolution placing an embargo on sales of oil to Yugoslavia. We are now pursuing this energetically in New York.

- [if pressed] Cannot say now when Resolution might be passed.

Compensation for "Innocent" Republics?

- Ministers agreed that further consideration should be given to applying positive measures to cooperative republics. Support this. But legal and practical question will require careful study.

- [if pressed] Cannot say yet which republics will be designated "cooperative". Key point is that Serbia and Montenegro should bear brunt of sanctions.

Assents Freeze

- Not a feasible option. To take legal action in the UK we would need either a UNSCR or evidence of a threat to UK economic interests.

Diplomatic Boycott (if pressed)

- Could question Yugoslav credentials in international bodies and refuse to deal with their embassies. But although mildly embarrassing to Yugoslav authorities, unlikely to have appreciable effect on Yugoslav thinking. And we need to keep channels open to all the parties.

European Peacekeeping Force?

- WEU has set three conditions for deployment of force:

- effective cease-fire must be holding;
- all parties must consent;
- deployment of forces must contribute to a solution of fundamental problems.



- All our partners agree that these conditions far from being met.

- Lord Carrington travelled to Yugoslavia today (13 November). He will discuss with Yugoslavs whether there is any basis for a UN peacekeeping force.

#### EC Monitors

- Currently 170 monitors in Yugoslavia: 10 British. Still performing useful function in negotiating some local cease-fires, disengagements, prisoner exchanges. But cannot be a substitute for a proper settlement.

#### Threat to Dubrovnik/Medjugorje (pronounced Medyoogorreeyeh)

[Medjugorje is a Roman Catholic shrine in Bosnia Hercegovina].

- Best protection for historic/religious sites is an overall settlement. Strongly condemn damage done to Dubrovnik and to cultural sites and churches throughout Croatia. Dubrovnik of no military value. Such damage has happily not yet occurred in Bosnia Hercegovina: monitors are deployed there to prevent such violence.

#### Humanitarian Relief

- Cooperating closely with Dutch Presidency in effort to get ferry into Dubrovnik to take out foreigners (including monitors and journalists), wounded, pregnant women and children. Proving very hard to get necessary cease-fire in place.

- Have given a total of fl.3 million in emergency relief aid (blankets) and contributions via EC and Red Cross for refugee aid.

#### Serbian Rump Presidency

- Condemn 3 October usurpation of federal power by the Serbian bloc. We do not regard this rump as representing Yugoslavia.

#### War Crimes

- The 1949 Geneva Conventions apply to civil wars. Yugoslavia is obliged to charge anyone alleged to have committed "grave breaches" of the conventions. JNA leader and individual soldiers should bear in mind they may be called to account for actions in breach of humanitarian rules.

#### Travel Advice

- Our advice is not to travel to Croatia or Bosnia Hercegovina, and to defer non-essential travel to other parts of Yugoslavia. Understand some long-term residents (mainly spouses of Yugoslavs) are still in Croatia, contrary to our advice to leave.

#### German Position

- Understand that German constitution prevents them sending troops to any peacekeeping force in Yugoslavia. But domestic political pressures bear heavily on them and have led to a forward stance on recognition. They have played full part in working out agreed policy position of the Twelve.

Hungarian Position

- Hungary is deeply concerned about the position of the Hungarian minority in Yugoslavia, most of whom are concentrated in Vojvodina. Do not believe that they, or other neighbouring states, have any intention of using current crisis to redraw existing frontiers.

## EUROPEAN ECONOMIC AREA: EEA/ENLARGEMENT

- Welcome political agreement on EEA (21 October FAC). EFTA will join EC's Single Market from 1993, creating world's largest Single Market (275m people, nearly \$7,000 billion GDP, 40% of world trade).
- Good for Britain, Community and wider Europe.
- Economic benefits: more opportunities for UK business, more choice for consumer.
- Political benefits: important for Community to reach agreement with our closest neighbours. Will also facilitate membership for EFTAs who want to join.
- Success for UK's vision of an open, market orientated and outward-looking Community

### ENLARGEMENT

- Lengthening queue of applicants a sign of Community's success. Austria, Sweden, Turkey, Cyprus and Malta have already applied. Other EFTAs (Switzerland, Finland and Norway) may follow before long.
- After Maastricht enlargement will be significant item on Community's agenda. We will work for early progress on applications in 1992.
- Membership should be open to all European countries which can take on all responsibilities of membership. Community should be ready to open negotiations in 1993 with those who meet the conditions.

GATT

- UK remains fully committed to successful conclusion of Uruguay Round this year. Essential that we lower protectionism and promote continued growth in world trade.
- Have urged Commission to negotiate constructively: we want strong agreement to reduce spending on agriculture, lower tariffs, and bring GATT discipline to trade in services and intellectual property.
- Some progress on agriculture at 9 November EC-US Summit, but further intense negotiations still needed. All sides must be flexible in these crucial last weeks.
- Community already committed to substantial CAP reform: this will need to take terms of GATT agreement into account.
- Welcome agreement reached to extend Multi Fibre Arrangement (MFA) until 1/1/93. Will safeguard interests of UK textile producers until new GATT textile code in place incorporating strong rules and disciplines.

SECRETARY OF STATE'S EVIDENCE FOREIGN AFFAIRS COMMITTEE

EC/Japan: cars

- July EC/Japan agreement was good for UK: established principle that cars produced in Britain by Japanese companies are British, and as such can be traded freely within EC.
- Also agreement that all Voluntary Restraint Arrangements on imports of cars from Japan should be phased out by 1999.

Risk that other member states might undermine EC/Japan agreement on cars?

- We have been working to ensure that other member states stick to their obligations under the agreement; these include adopting by end 1992 a common EC type approval for cars (eg on technical/safety standards for windscreens etc).

