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*From the Private Secretary*

22 November 1991

*Dea Riband,*

PRIME MINISTER'S MEETING WITH  
THE PRIME MINISTER OF THE NETHERLANDS:  
22 NOVEMBER

Thank you for all the briefing which was provided by you, HM Treasury and the Department of Employment for the Prime Minister's meeting with Mr. Lubbers this afternoon. The meeting lasted five hours. Those present were the people listed in your letter to me of 20 November (not to all).

Organisation of the European Council

Mr. Lubbers said the Council would start at 0900 and go on on Tuesday for as long as necessary. He agreed with the Prime Minister that it would be a good idea to go on for as long as necessary if there was a hope of an agreement, but not to burn the midnight oil, with tempers fraying, if there was not.

Mr. Lubbers said that he would arrange for Finance Ministers to attend any discussion on EMU. He intended to devote virtually the whole of the discussion to the IGCs and hoped that reports, such as that from the Interior Ministers on their areas of co-operation, could be taken without substantive discussion.

UK Attitudes

The Prime Minister described the continuing political sensitivities over the negotiations which had become apparent during the two-day Debate at the House of Commons. If there was an agreement at Maastricht, which was what we wanted, the Treaty would go in the direction of those who wanted more competence within the Community. It would go in the reverse direction for us. What others did not gain now they could argue for later. What we conceded now was lost for ever. Nonetheless Maastricht represented the best chance of an agreement and that was our aim.

Court of Auditors

Mr. Lubbers and the Prime Minister agreed that there was a good case for constituting the Court of Auditors as one of the institutions of the Community. Mr. Lubbers said he would pursue this in his discussions in other capitals.

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Foreign Policy

There was a discussion on familiar lines of the pros and cons of majority voting for implementing decisions. The Prime Minister identified the problems of majority voting as being ones of coherence in foreign policy and that majority voting for implementing decisions would be the thin end of the wedge. Mr. Lubbers drew an analogy with the provisions of Article 130S of the Treaty. The Prime Minister said that this proved his point. Article 130S had provided for QMV on the environment if there was unanimity to allow QMV for such decisions. The provision had never been used and now there was pressure to move from unanimity to QMV. The same would happen over foreign policy.

Mr. Lubbers and Mr. van den Broek said that, without the introduction of qualified majority voting, the text on foreign policy would be very thin. There was no real change of substance on joint action compared with the Single European Act. The Prime Minister and the Foreign Secretary disputed this. There was a world of difference between using best endeavours to achieve joint action (the Single European Act) and being obliged to do so. We had jumped the gun on lifting sanctions against South Africa. Under the new text we would not be able to do so. This would be a very sharp difference for us.

Defence

The Dutch recognised that the Anglo-Italian text represented a significant step forward for us. The Prime Minister reiterated our policy and our requirement that any eventual common defence policy must be compatible with NATO, that the WEU should be autonomous, with links to NATO and the European Union, and that there should be non-discrimination in the WEU's relations with other partners and powers. The Dutch seemed to be working to a formula whereby the WEU, while retaining its autonomy, would take into account positions adopted in the European Council, on the one hand, and positions taken in the Alliance on the other. They thought that if the issue of compatibility with NATO could not readily be agreed in the Treaty it could be dealt with in the WEU Declaration and that Declaration could be annexed to the Treaty and referred to specifically in the Treaty. The Prime Minister agreed that this was a possible way forward.

Mr. van den Broek said that the Greek Prime Minister would press hard at the European Council for Greek membership of the WEU. The Dutch would aim for agreement that, in principle, members of the EC and NATO were eligible for WEU membership but that satisfactory arrangements for other Alliance members would have to be made and the problems of the assistance clause would have to be resolved. They seemed to favour a provision whereby relations between NATO members could not be discussed within the WEU. This would prevent the Greeks from raising Turkish issues. The Prime Minister said that he might throw the fourth financial protocol into the argument at Maastricht if the Greeks were really difficult.



The Prime Minister and Foreign Secretary said that we were talking separately to the French and Germans about the text on defence. The Dutch said that they were doing likewise and gave the impression that they were trying to work up a revised text of Article D - not simply leaving this to be brokered by the French, Germans and ourselves.

### Social Policy

The Prime Minister made a strong pitch against the working time directive. Very important national interests were at stake for Britain and if the directive went through by majority vote on 3 December, the British Parliament would explode. There would be intolerable problems if, after that had happened, he signed up to any provisions on social policy. If the working time directive was pushed through on 3 December it would drive a coach and horses through the prospect of agreement at Maastricht. Mr. Lubbers took note of this. He did not respond directly.

Turning to the social provisions of the draft treaty, Mr. Lubbers tried to argue that there was majority support for the text as an essential part of political union. The Prime Minister commented that if the Dutch insisted on keeping the text and we could not then get the political union treaty through parliament, there would be no political union so the move would be self-defeating.

In the ensuing discussion, the Dutch implied that in exchange for social provisions within the Treaty it might be possible to move some existing QMV articles to unanimity but when pressed on this, they backed off somewhat and appeared instead to suggest that there could be some compromise as between unanimity and QMV articles. Mr. Lubbers excluded the possibility of removing the chapter altogether and thought that other member states would not readily agree to taking a step backwards. Mr. Ersboll (Council Secretariat) said that there had been no real discussion in the IGCs of the underlying argument about the way the existing Treaty Articles had been misused. It might be an idea to raise this issue at the conclave. It might provoke a helpful Commission response.

The Dutch said they would come up with a revised text.

### Competence

The Prime Minister noted with satisfaction the deletion of the texts on energy, tourism, civil and consumer protection and hoped that culture and industry could also be deleted, particularly industry. We were willing to consider new texts on health, education and training. QMV for research and development, development co-operation and networks was unacceptable. QMV for the environment would only be acceptable if the exploitation of energy resources was decided by unanimity. The Dutch indicated some movement on the energy aspects of environment but otherwise said that they would find it difficult



to move. Mr. Lubbers described the room for manoeuvre as pretty small and Mr. van den Broek said that the Presidency would not change their proposals for the conclave. Mr. Dankert said that he understood our budgetary concerns but budget discipline was best achieved in the framework of the financial perspective. This earned him a head-scrubbing from the Prime Minister. We already paid heavily as net contributors. We were not prepared to compound the problem.

#### European Parliament

The Foreign Secretary described the areas where we had indicated willingness to see the application of the extended co-operation procedure, namely Article 100A (general legislation, not detailed technical regulations); the R&D framework programme, provided unanimity was retained; and environmental multi-annual programmes, provided these did not cover spending. We saw no case for going beyond that.

#### Article 100C

Mr. Ersboll said that visa policy would come out of Article 100C because the Irish and Greeks would insist on unanimity which would render the text pointless because agreement could never be reached. That would leave the issue of control at borders. Our position would be protected by unanimity but we would have given a fig leaf for Kohl. Mr. Lubbers argued that by putting these issues into the Treaty under unanimity in Article 100C our position might be better protected than having nothing there at all and leaving Article 8A as the sole provision in the Treaty covering immigration.

#### Cohesion

The Prime Minister and the Foreign Secretary made clear that we were not prepared to make further concessions to the Spaniards. The Prime Minister described the particular problem posed by the references to EMU in Article 130B. Mr. Lubbers had not spotted these before but seemed to accept our argument. The Prime Minister also made clear that there was no question of our giving a commitment to produce new money or new funds, whether for the environment or convergence in the IGC. The Dutch indicated that they were toying with some reference to the existing own-resources decision and its commitment to take account of relative prosperity. Sir John Kerr said it would be much better to have a declaration simply listing the points that had been raised on cohesion and which needed to be discussed next year.

#### The Chapeau

Mr. Lubbers proposed keeping the reference to the Union's Federal vocation but qualifying it, eg, a federation which "fully protects the national identity and sovereignty of the member



states" or a reference to policy decisions having to be taken as close to the citizen as possible. But the Prime Minister made clear that the word 'federal' both in the Chapeau and in the review clause (Article W) was unacceptable. Mr. Lubbers suggested reverting to "ever closer union" though this might in practice be much more open ended than a tightly defined reference to Federation. The Prime Minister said that the point about "ever closer union" was that it was in the Treaty of Rome and we had therefore learned to live with it. The Foreign Secretary suggested that one possible formula, which would probably please the Germans, was "ever closer union in which decisions are taken as close to the people as possible". The Dutch took this on board.

The Foreign Secretary drew attention to the changes we had proposed to avoid any legal contamination as between the Chapeau and the individual pillars of the Treaty. Mr. Ersboll thought that the problem could be dealt with by a formula which would say that the Council of Ministers, the European Parliament, the Commission and the ECJ, should exercise their powers under the conditions and for the purposes provided for "by the provisions of this Treaty". He thought that should meet our need.

#### Tax

The Dutch thought that the reference in Article 99 to Article 109 ("without prejudice to Article 101") had been deleted at the last conclave but Mr. Ersboll confirmed that it had not been. The Chancellor made clear that the Article would have to come out.

#### EMU

The Chancellor of the Exchequer said that the current text was very helpful on convergence and on the maintenance of national responsibility for monetary policy in Stage Two. The no-coercion clause must continue to be of general applicability. That was of enormous importance to us. If the UK was singularised that would make it much more difficult for us to move to Stage Three.

The Chancellor said that the trigger for the excessive deficit procedure (the 3 per cent deficit to GDP ratio) was pretty unrealistic. It would lead to lots of cases being brought. We should move to something bigger, more general or 3 per cent over a period of time. It was odd to look at the deficit to GDP ratio over one year only. The stock of debt, not the borrowing requirement over one year, was a more logical measure.

The Chancellor said that there must be no legal obligation to ban monetary financing in Stage Two. Any such obligation would catch some of our open market operations including the Government overdraft with the Bank of England. The Chancellor had, during the Debate in the House of Commons, accepted in public for the first time that there would be an independent



central bank in Stage Three. We could not accept that the Bank of England should be made independent during Stage Two, though it might be possible to find some compromise language ("steps towards").

The Chancellor said that we were concerned about capital shares in the ECB. We must have a capital share at least as great as that of France and Italy.

Mr. Kok said that the no-coercion clause of general abdication was running into difficulties with some member states. The more progress we were able to make on the political union text, the more ready other people would be to take our position into account on the EMU text. He went on to say that he hoped to cover member states with a derogation and member states with an exemption in the same general paragraph. Despite questioning it was not possible to find out exactly what he had in mind. He implied at one stage that the general exemption might, implicitly at least, be time-limited but he denied this. He agreed to the Chancellor's suggestion that we should be shown some language before the Dutch tabled anything. The Chancellor made specifically clear that there was no question of us having a temporary exemption. Our position must be fully preserved.

Mr. Kok said that he did not want to re-open discussion on the 3 per cent excessive deficit trigger but the IGC would need to discuss the general issue. The criteria would need to be applied in a dynamic and political way. He said that there was no disagreement in principle on the issue of monetary financing. He wanted to stay close to the present formula on the status of central banks in Stage Two. He indicated that the Netherlands also had difficulties with the criteria for establishing capital shares in the ECB, and was therefore prepared to look at a change in the formula.

Mr. Kok said that he was thinking of proposing an increased role for the European Parliament on legislative matters in the EMU context so that the co-operation procedure, and not just consultation, might apply. The Chancellor and Mr. Wicks both said that to have the co-operation procedure applying to decisions on economic policy was not acceptable.

Mr. Lubbers said that the exemption text as now drafted would not do the trick. He too referred to the possibility of a text that made no distinction between derogations and exemptions. The majority of member states wanted the exemption dealt with in a declaration.

The Prime Minister said that he felt we had moved backwards on EMU. Both the Prime Minister and the Chancellor made clear that a declaration outside the Treaty text was unacceptable.

(Comment: It was not at all clear what the Dutch were up to. It was pretty clear that they were up to no good. It was agreed that officials should discuss further.)



Seats of the Institutions

Mr. Lubbers appeared to envisage making an attempt to solve this issue. Martens and Mitterrand were going to talk about the Parliament. Chancellor Kohl was pressing the case for Frankfurt as the site of the ECB but a majority of member states did not want to put the Deutschmark and Frankfurt together in that way. Mr. Lubbers referred to the Luxembourg block on any progress on the seats of the Institutions. If it was possible to deal with the whole issue as a package, he would like to do so. The Prime Minister said that from Mr. Lubbers' description of the problems he would only be able to do so if he was incredibly lucky or skilful. He thought we had enough on our plate without dealing with that issue as well. Mr. Kok said that there was something to be said for trying to break the link between the European Parliament's site on the one hand, and the Environment Agency/Trademarks Office on the other.

Enlargement

The Prime Minister said that he hoped the Presidency would state our intentions on enlargement either in the Treaty itself or in the European Council conclusions. Mr. Lubbers said he did not want to imply a firm commitment now for membership by all the possible applicant countries. Membership was not the only answer in terms of the kind of co-operation that might grow up. Mr. van den Broek also saw difficulties in re-opening the decision that no applications would be entertained before 1993. Once negotiations with Austria and Sweden got under way then other applications would come rolling in.

The Prime Minister said it was not his intention to try to drag people into the Community prematurely but we should give a clear political signal about our willingness to entertain applications. We should set out our objective of having a Europe-wide Community. Mr. Lubbers indicated that he could go along with something of that kind, while reiterating his objections to the implication that we were inviting other European countries to join the European Union at an early stage.

GATT

The Prime Minister described the message he had sent to M. Delors urging the Commission to move on GATT. He hoped Mr. Lubbers might make a similar approach. Mr. Lubbers said reasonable progress had been made at the meeting with President Bush, though there had been some slipping back last week. There was a serious problem of perception in the US: they saw the Europeans as having to make all the moves on agriculture. The Prime Minister said that if the Commission were able to make a further move, they would be supported in doing so.



Conclusion

Mr. Lubbers said he was very concerned about how to make further progress. London was the sixth capital he had visited and he would leave with a practically impossible situation on his hand. He wanted to avoid a formidable political clash with Britain at Maastricht. That would be no pleasure for him but that was not his biggest problem (ie by implication he would have a row with us, rather than get on the wrong side of other member states).

The Prime Minister said that he was not sure we could get an agreement. He had laid out very carefully what we could or could not accept. He was not grand-standing. If things did break down at Maastricht he doubted whether we could re-group satisfactorily until after the general election. We would then be into the British Presidency. He was very grateful for the way the Dutch Presidency had handled things. He did, however, feel that we had gone backwards rather than forwards on EMU.

Mr. Ersboll said that the progress registered was not so slight. We were close to an agreement on the Chapeau, citizenship had been agreed at the conclave, CFSP was in reach, there was agreement on the substance, as opposed to the presentation, of what should go into the interior and justice chapter. Much of EMU had been settled. A form of co-decision with the European Parliament had been agreed. There was agreement on some new competences, perhaps with qualified majority voting. There was virtual agreement to go for QMV on environment. Cohesion was covered in a suitable text and there could be a declaration. The Prime Minister agreed that that list amounted to considerably more than a mini-package.

Follow-up

- i. We shall need to see what revised text on the social area the Dutch come up with. It sounded as if it would be an improvement but still not acceptable.
- ii. We shall need to follow up at official level the Dutch ideas on EMU, in particular the apparent changes they wish to make on the coercion clause and the introduction of co-operation with the European Parliament.
- iii. The Prime Minister would be grateful for any comments which the Law Officers Department can offer on the Dutch suggestion that a provision in Article 100C governing short-stay immigration would afford us some protection against Commission proposals under Article 8A.



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I am copying this letter to the Private Secretaries to members of the Cabinet, the Attorney General and to Sir Robin Butler.

*Yours,*

*J. S. Wall*

J. S. WALL

Richard Gozney, Esq.,  
Foreign and Commonwealth Office

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PMSms  
netas from  
Hubber's m/s  
29.11

What do you think  
so far?

Disappointing



Wd,

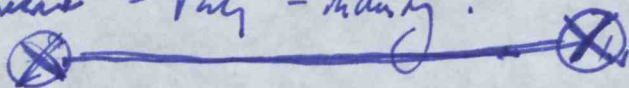


1) 5th Nov Pines - first Union laws - cockpit

of party pol. head

Damp energy + - competition -

Wholly opposed - Party - mainly.



2) Review T. Union laws -

3<sup>rd</sup> Dec 1971 Q.M.V. -

New head Council commission - v. important

capital market.

3)

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Constraints - get it - policy course

- H.S.E. - Labour Cont - 1971

Consensus Q.M.V. → unanimity -

v. sooning

Love - peace - confidence - so

Growing wrong -

Nature's process - takes into acc -

- 118 - Existing conditions 118 -

Supremacy - doesn't work -

When we get true unanimity - Perfect -

Cohesion - Line

130.

Cohesion



Left hand returned down.

Cephalopod system.

Imagined - figures - circles.

Rf  
Address 101 in Article 99

Then any QUV a line

