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From the Private Secretary

1 October 1992

Dear Richard,

**EUROPEAN COMMUNITY: VISIT OF PRIME MINISTER LUBBERS
OF THE NETHERLANDS**

Subject to final confirmation, Prime Minister Lubbers of the Netherlands will come to London for talks with the Prime Minister from 1600 to 1800 next Tuesday, 13 October.

I should be grateful for a brief, concerted with other Departments, to reach me on Monday 12 October.

I am copying this letter to the Private Secretaries to members of OPD(E) and to Melanie Leech (Cabinet Office).

*Jane,
Stephen*

J. S. WALL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER'S MEETING WITH MR. LUBBERS: EUROPEAN POLITICAL UNION

General

- Even a minimalist Treaty will be going in the direction other Member States want.
- Even a minimalist Treaty will be going in the direction Britain does not want.
- For agreement to be reached therefore the most fundamental compromise has to be made by Britain. If others want an agreement they will have to compromise on a number of aspects of the text.
- The Presidency will have to stop simply producing texts which reflect a majority view.
- Will now be very hard to settle all these issues by Maastricht. We are prepared to try but not at any price.
- Public opinion polls show growing scepticism of Community. I can only get so far ahead of opinion in my Party and in the country.

CFSP

- Defence remains a very difficult issue. Much will depend on texts of WEU declarations and on further contacts with France/Germany.
- Our requirements remain:
 - a. Any eventual common defence policy must be compatible with NATO.
 - b. WEU should be autonomous, with links to NATO and European Union.

- c. Non-discrimination in WEU's relations with other partners and powers.
- d. Dutch assessment of French policy/tactics.

Foreign Policy

- Joint action can only work if:

- a. it excludes defence;
- b. its scope is stated specifically;
- c. it is time limited; and
- d. reversible.

justified. "S.A. Sanctions"
binding
(intending to do)
(bound to do)

- Parliament adamant that Britain's right to make its own foreign policy decisions cannot be fettered. Essential we have a supreme national interest clause, e.g. "A Member State shall not be obliged to take or refrain from action if to do so would damage a supreme national interest".
- Strong feeling in House of Commons against majority voting in this area. It is seen as the start of a slippery slope towards majority voting in matters of substance and as unworkable. I could get support for joint action in the Treaty but not majority voting.

Social *Article 118.*

- We remain adamantly opposed to the texts.
- Problems are illustrated by working time directive under existing competence.
- Understand you may bring it to a vote at Social Affairs Council on 3 December.
- Very important national interests are at stake for Britain.

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- Were we voted down on this text it would reduce the prospects of any agreement at Maastricht.
- Do not see why this has to be brought to a head at the Social Affairs Council before Maastricht.

Interior/Justice Co-operation

- Enthusiastic supporters of inter-Government co-operation in this area. Text of separate interior/justice charter a useful step forward.
- Cannot accept immigration in Article 100C.
- Willing to consider Article K which would allow possibility of some subjects being transferred into Community competence at a later date.

Cohesion

- Recognise strength of Spanish views, but see no prospect of any further concessions.
- At a pinch, with one further change (to exclude EMU from Article 130b), we could agree the new cohesion text. But that would be sole substantive concession.
- Could list Spanish concerns in a purely neutral declaration, provided they do not prejudice the outcome of the future financing debate. [Hand over UK illustrative text - attached.]
- But no question of any commitment to produce new money or new funds whether for the environment or convergence in this IGC. Not acceptable to Westminster for the UK to concede greater powers and increased resources for the EC at one go.

European Parliament

- Welcome progress at conclave but scope of extended co-operation procedure must be limited to Article 100A (general legislation not detailed technical regulations) and to the R&D framework programme provided unanimity is retained.

- Would consider including environmental multi-annual programmes provided these do not cover spending.

Competence

- Glad energy, tourism, civil and consumer protection deleted. Culture and industry should go the same way.
- Willing to consider sympathetically the new texts on health, education and training, including QMV. QMV for R&D, development and networks unacceptable.
- QMV for the environment would only be acceptable if exploitation of energy resources was decided by unanimity (this is a potentially very expensive area).
- Serious problems with Industry text.

CHAPEAU

- Essential to delete reference to federal vocation (and reference later in text) and to a single currency which would otherwise become a Treaty obligation. ✓
- The texts must be legally coherent so that those things which are outside the jurisdiction of the ECJ are clearly outside the jurisdiction of the ECJ. These are technically small but with huge political ramifications.

Subsidiarity

- An important element for UK. Text nearly right. Hope Presidency will accept remaining UK and German amendments.

Tax

- Reference to Article 101 in Article 99 could open way for QMV on taxation. Completely unacceptable: must be deleted.

PRIME MINISTER'S MEETING WITH MR. LUBBERS: OTHER ISSUES

- Attendance by Finance Ministers at Maastricht European Council.
- Enlargement: want a statement from Maastricht pointing the way ahead to eventual membership for Eftans and East Europeans.

GATT

- Congratulations on EC/US Summit. Must continue to press for programmes with view to political agreement this year.
- Dunkel seems to have given up.
- Must not allow Commission/US deal to jeopardise likelihood of agreement by Cairns Group.
- GATT settlement must not be pretext for lack of CAP reform.
- Possible further need for political impetus.

PRIME MINISTER'S MEETING WITH MR. LUBBERS: CHECKLIST.

EMU

- Importance of generally applicable no-coercion clause.
- Excessive deficits:
 - a. Rules and sanctions must not apply in Stage II. ✓
Provisions must be legally watertight.
 - b. Excessive deficit procedure is too constraining: 3% deficit to GDP ratio will lead to far too many Commission investigations. Controversial domestically.
 - c. Continue to have serious reservations about legally binding rules and sanctions in Stage III.
- There must be no legal obligation to ban monetary financing until Stage III. ✓
- Capital shares in ECB must be decided on political grounds. ✓
UK must have capital share at least as great as that of France and Italy.
- If there is to be agreement to national central banks being independent in Stage III there must be no requirement to change the status of central banks in Stage II and there must be adequate arrangements for ex-post accountability. ✓
- Text must in no way prejudice our right to participate in international financial institutions like the IMF and World Bank.
- [If raised] UK preference is for London as seat of EMI.
- This issue should not be settled separately from the package of other EC institutions (environment agency, Trade Marks Office, training foundation).

- Any move on EMI/ECB must be conditional on explicit agreement to unblock the outstanding package on sites of institutions.

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DRAFT DECLARATION ON COHESION

1. The European Council reaffirms that ever closer economic and social cohesion is an integral part of the general development of the Union. It welcomes the amendments of the Treaty which have been agreed in the IGCs, as providing a flexible framework within which the Community can support its objectives and the sound economic and monetary policies which will best ensure continuing and sustainable reductions in regional disparities within the Community.

2. The European Council notes that the Community's Structural Funds are being doubled in real terms between 1987 and 1993 and that the EIB is lending large and increasing amounts for the benefit of poorer regions; that the Structural Funds account for over 25 per cent of the Community's budget; that they involve very large transfers especially as a proportion of the GDP of the less prosperous member states. The European Council reaffirms its belief that the Structural Funds will continue to play a considerable part in the achievement of Community objectives in the field of cohesion.

3. The European Council also notes that there have been proposals made for further expenditure in support of cohesion, particularly in the less prosperous member states; for a greater progressivity in the Community's financial arrangements; and for greater flexibility in administrative and financial arrangements under the Structural Funds. The European Council agrees that these proposals should be considered in the forthcoming reviews of the Community's finances and of the Structural Funds. The European Council agrees that the Community, while maintaining budget discipline, will continue to devote substantial resources to the objective of ever closer economic and social cohesion.