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FM UKREP BRUSSELS

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TO DESKBY 150900Z FCO

TELNO 3845

OF 141730Z NOVEMBER 85

INFO PRIORITY EUROPEAN COMMUNITY POSTS LISBON MADRID

THE INTER-GOVERNMENTAL CONFERENCE (IGC).

1. OVER THE NEXT THREE WEEKS YOU AND THE PRIME MINISTER WILL BE HAVING A SURFEIT OF EURO-MEETINGS. THERE WILL BE BILATERAL CONTACTS WITH THE FRENCH, THE LUXEMBOURG PRESIDENCY, THE GERMANS THE COMMISSION AND OTHERS: THERE ARE AT LEAST TWO AND PERHAPS MORE SESSIONS OF THE IGC TO COME AND THE LUXEMBOURG EUROPEAN COUNCIL ITSELF LIES AT THE END OF THE ROAD. THE ISSUE OF POSSIBLE TREATY REVISION, AND IF SO HOW MUCH AND WITH WHAT CONTENT, WILL ARISE AT ALL THESE MEETINGS AND WILL DOMINATE MOST OF THEM. IT MIGHT BE A USEFUL MOMENT TO TAKE STOCK AND TO GIVE YOU THE VIEW FROM BRUSSELS.

2. UNTIL THE END OF OCTOBER CONFUSION WAS ALMOST TOTAL. THE CONFERENCE TABLE BECAME QUITE LITERALLY PILED HIGH WITH A PLETHORA OF DIFFERENT PROPOSALS. THE MOST AMBITIOUS AND THE LEAST REALISTIC CAME FROM THE ITALIANS (ON THE PARLIAMENT), FROM THE COMMISSION (ON THE INTERNAL MARKET, ON THEIR OWN POWERS AND ON MONETARY AFFAIRS) AND FROM THE GREEKS (ON MORE MONEY FOR THEMSELVES, ALSO KNOWN AS COHESION). WHILE THESE PROPOSALS REMAIN ON THE TABLE, THEY ARE ALL NOW GATHERING DUST AND ARE NOT GENUINE RUNNERS. INSTEAD THE LUXEMBOURG PRESIDENCY HAS BEGUN A PROCESS OF SUBSTITUTING MORE MODEST TEXTS WHICH TAKE ACCOUNT OF A GOOD DEAL OF WHAT WE AND OTHERS HAVE SAID. DESPITE A TENDENCY TO STICK TOO CLOSE TO COMMISSION TEXTS, THE PRESIDENCY IS MOVING STEADILY CLOSER TO POSITIONS WHICH PROTECT THE SUBSTANCE OF OUR INTERESTS. BUT THEY STILL FALL SOME WAY SHORT IN A NUMBER OF AREAS.

3. THE PERFORMANCE OF THE "MAXIMALISTS" (THE ITALIANS AND THE BENELUX COUNTRIES) HAS BEEN MERCIFULLY ILL-COORDINATED. IT WAS PARTICULARLY HELPFUL THAT THEY DISAGREED SHARPLY OVER THE PARLIAMENT. THE FRENCH (CONSISTENTLY AND ELEGANTLY) AND THE GERMANS (CLUMSILY AND ERRATICALLY) HAVE BEEN WORKING TO SCALE DOWN ANY POSSIBLE OUTCOME. THEIR VIEWS AND OUR OWN ARE INCREASINGLY IN THE SAME TARGET AREA. THE TWO OTHER COUNTRIES WHICH VOTED AGAINST THE DECISION TO CALL AN IGC, GREECE AND DENMARK, HAVE BEEN CAREFULLY POSITIONING THEMSELVES SO AS TO BE ABLE TO ACCEPT AT LEAST SOME TREATY CHANGES IF THAT IS THE WAY THE WIND BLOWS.

4. OUR TACTIC OF CONSTRUCTIVE COOPERATION, WHILE FULLY RESERVING OUR POSITION ON TREATY AMENDMENT, HAS WORKED SO FAR PRETTY WELL. WE HAVE HAD TO FOREGO THE OPTION OF TABLING TEXTS OURSELVES, AND THUS DIRECTLY SHAPING THE OUTCOME, AND WE HAVE HAD TO TAKE SOME HARD WORDS FROM THE PRESS ABOUT DRAGGING OUR FEET. BUT WE HAVE FLUSHED THE FRENCH AND GERMANS OUT FROM THEIR TRADITIONAL POSTURE OF SHELTERING BEHIND OUR OBJECTIONS TO COMMISSION PROPOSALS. BANQUO'S GHOST, IN THE FORM OF THE NEED TO GET OUR EVENTUAL CONSENT TO ANY TREATY CHANGE, HAS BEEN EVER PRESENT AND HAS HELPED US TO ACHIEVE CONSIDERABLE INDIRECT INFLUENCE ON THE TEXTS AS THEY HAVE EVOLVED.

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5. THE PRESENT STATE OF PLAY IS AS FOLLOWS:

- (I) TECHNOLOGY. A TEXT DESIGNED TO CODIFY IN THE TREATY WHAT THE COMMUNITY IS ALREADY DOING. THERE IS STILL DISAGREEMENT ABOUT OUR INSISTENCE THAT UNANIMITY MUST BE RETAINED FOR THE MAIN COMPONENTS (INCLUDING FINANCE) AND SPECIFIC PROGRAMMES. WE ARE IN GOOD COMPANY WITH THE FRENCH AND GERMANS AND SHOULD EVENTUALLY GET OUR WAY.
- (II) ENVIRONMENT. AGAIN A TEXT DESIGNED TO CODIFY IN THE TREATY WHAT THE COMMUNITY IS ALREADY DOING. OUR REQUIREMENT TO MAINTAIN UNANIMITY FOR DECISIONS HAS WON THE DAY AND IS COMMON GROUND.
- (III) INTERNAL MARKET. STILL A VERY CONFUSED SCENE WITH NO TEXT THAT WE COULD RECOMMEND AS COVERING OUR INTERESTS YET IN SIGHT. BUT SOLID GERMAN AND FRENCH SUPPORT FOR RESISTING MAJORITY VOTING ON TAX MATTERS, FOR KEEPING SAFEGUARDS ON THE FREE MOVEMENT OF PERSONS AND FOR THE PROTECTION OF LIFE AND HEALTH OF HUMANS, ANIMALS AND PLANTS.
- (IV) MONETARY COOPERATION. DELORS' PROPOSAL HAS GONE DOWN LIKE A LEAD BALLOON IN BONN AND SEEMS UNLIKELY TO SURVIVE EVEN WITHOUT OUR OWN OPPOSITION. BUT THERE WILL BE PRESSURE FROM SOME FOR A MORE MODEST TEXT BRINGING THE EMS WITHIN THE SCOPE OF THE TREATY AND REITERATING EARLIER COMMUNITY EARLIER COMMUNITY COMMITMENTS TO ECONOMIC AND MONETARY UNION.
- (V) COMMISSION POWERS. WE ARE AMONG A LARGE MAJORITY OF MEMBER STATES INSISTING THAT THE COUNCIL MUST CONTINUE TO DECIDE IN EACH CASE THE POWERS OF ADMINISTRATION TO BE GIVEN TO THE COMMISSION WHILE DOING THIS MORE SYSTEMATICALLY THAN IN THE PAST.
- (VI) PARLIAMENT. THE PRESIDENCY HAS NOW MOVED DISCUSSION AWAY FROM THE MORE FAR-REACHING PROPOSALS TO ONE WHICH IS LITTLE MORE THAN A REFORM OF THE PRESENT PROCESSES FOR CONSULTING THE PARLIAMENT ALTHOUGH IT IS DRESSED UP UNDER THE NAME OF COOPERATION. IT LEAVES THE LAST WORD, AS NOW, FIRMLY WITH THE COUNCIL. BUT SOME OF THE OTHERS MAY TRY TO GET THIS RE-OPENED.
- (VII) COHESION. THE MEDITERRANEAN BEGGING BOWL, WHICH HAS GOT MORE SUPPORT FROM THE COMMISSION THAN IT OUGHT TO HAVE DONE. BUT THERE IS A VERY SOLID NORTHERN LINE-UP (INCLUDING THE FRENCH) BEHIND A TEXT WHICH ENDORSES CONVERGENCE OF ECONOMIC POLICIES RATHER THAN PERFORMANCE AND LIVING STANDARDS, MERELY CODIFIES IN THE TREATY THE REGIONAL AND AGRICULTURE STRUCTURE FUNDS (THE SOCIAL FUND IS ALREADY THERE) AND CONTAINS NO COMMITMENT TO ADDITIONAL BUDGETARY TRANSFERS.

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6. SO FAR, NOT SO BAD. BUT HOW WILL THINGS GO IN THE ALL-IMPORTANT RUN-UP TO THE LUXEMBOURG EUROPEAN COUNCIL. THERE IS AN EMERGING CONSENSUS IN FAVOUR OF REACHING DECISIONS THERE ONE WAY OR THE OTHER. THIS VIEW IS REINFORCED BY THE COMPLICATIONS LIKELY TO ARISE FROM THE FRENCH ELECTIONS, THE WISH TO SHOW SOME PROGRESS, THE REALISATION THAT THE IGC IS ITSELF DIVERTING ATTENTION FROM COMMUNITY ISSUES OF GREATER SUBSTANTIVE IMPORTANCE. WITHOUT OUR BEING IN ANY WAY DEMANDEURS FOR AN EARLY CONCLUSION, I BELIEVE IT IS IN OUR INTEREST TO TAKE THE SAME VIEW. PRESSURE FOR AN EARLY CONCLUSION IS HELPING TO SHRINK THE PACKAGE. THE LONGER THE NEGOTIATION GOES ON, THE GREATER THE RISK OF UNACCEPTABLY AMBITIOUS PROPOSALS PICKING UP SUPPORT AND THE MORE DIVISIVE AN ULTIMATE FAILURE TO AGREE. SO I HOPE WE CAN GO ALONG WITH ANY EXTRA EFFORTS THE PRESIDENCY MAKES TO REACH A CLEAR CUT CONCLUSION ON 2/3 DECEMBER.

7. THE JOKER IN THE PACK IS, AND WILL REMAIN UNTIL THE LAST MINUTE, THE FRANCO-GERMAN RELATIONSHIP. UP TILL NOW IT HAS BEEN WORKING IN OUR FAVOUR. THE DESIRE TO REACH A COMMON VIEW HAS LED EACH TO SCALE DOWN IDEAS THE OTHER DISLIKES, THE GERMANS ON THE PARLIAMENT AND THE ENVIRONMENT, THE FRENCH ON MONETARY QUESTIONS AND TAX HARMONISATION. BUT WE CANNOT COUNT ON THAT CONTINUING. THE RECENT EPISODE OVER THE PROPOSAL TO SITE THE EUREKA SECRETARIAT IN STRASBOURG HAS DEMONSTRATED YET AGAIN THE CAPACITY OF MITTERRAND AND KOHL AND THEIR POLITICAL STAFFS TO IGNORE ALL THE OFFICIAL ADVICE AND THE VIEWS AND INTERESTS OF THEIR PARTNERS IF THEY THINK THEIR OWN WILL BE WELL SERVED. RIGHT UP TO THE END WE RISK BEING LEFT HOLDING A SHORT STRAW. BUT THE MORE INTENSIVE OUR CONTACTS WITH BOTH THE FRENCH AND THE GERMANS AT EVERY LEVEL IN THE NEXT THREE WEEKS - AND THE MORE ACTIVELY WE CAN ACTUALLY NEGOTIATE WITH THEM - THE BETTER THE RISK OF SUCH AN EVENTUALITY.

8. IS THERE ANY CHANCE OF AMICABLY REACHING THE CONCLUSION THAT THE IGC GAME HAS NOT BEEN WORTH THE CANDLE, THAT OUR OWN PRAGMATIC APPROACH MADE MORE SENSE? I FEAR THERE IS NOT, EVEN THOUGH MANY OF THOSE INVOLVED NOW MORE THAN HALF REGRET THE DECISION TO GO FOR TREATY AMENDMENT. BUT ALTHOUGH THE WATER HAS TURNED OUT TO BE COLDER AND MORE TURBULENT THAN THEY EXPECTED, THE MAJORITY REMAIN DETERMINED TO STRUGGLE ACROSS TO THE OTHER SIDE RATHER THAN HUMILIATINGLY CLAMBERING UP THE NEAR BANK. SO, IF WE WERE TO CONCLUDE THAT WE COULD NOT GO ALONG WITH A PACKAGE THAT SEEMS LIKELY TO EMERGE FROM THIS PROCESS, THERE WOULD BE DAMAGE BOTH TO OUR

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ABILITY TO SHAPE COMMUNITY POLICIES IN THE FUTURE AND TO OUR EFFORTS TO ENSURE THAT WE REMAIN A CORE MEMBER OF THE ENLARGED COMMUNITY.

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