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PS/No 10

I enclose briefing for the Prime Minister's meeting with President Mitterrand on 2 December in the form of detailed speaking notes and background, as previously agreed for the Prime Minister's meetings with Kohl and Andreotti. These take into account your talks today in Paris with Pierre Morel and Caroline de Marjerie.

Private Secretary

PRIME MINISTER'S MEETING WITH MITTERRAND, 2 DECEMBER

POLITICAL UNION: SPEAKING NOTES

General

- We want agreement at Maastricht. We want closer European cooperation across a wide range of policies. But we cannot move too fast. There are limits to what Parliament will accept. Political Union is an evolving, indeed inexorable, process. Great mistake to be over-ambitious now, and finish with no Maastricht outcome. Recognition of this from Kohl.

- Agreement in sight on large parts of Presidency text (subject to detailed work at Conclave): most institutional provisions, including negative assent procedure for Parliament; citizenship; new chapters on CFSP, and interior/justice cooperation; some extensions of competence.

- If we stand back from the sensitive points still outstanding (immigration, social, majority voting etc), this treaty will be a big step forward. Bigger than the Single European Act. Important to keep this firmly in view as we negotiate over the difficult issues at Maastricht.

European Parliament

- Earlier ambitious proposals for "co-decision" now whittled down. Negative assent procedure now acceptable to all, (including Germany).

- We are willing to accept its inclusion provided scope is strictly limited. We have proposed Article 100a legislation (subject to some practical limitation), R and D (if unanimity retained) and environment multi-annual programmes, (but not on the basis of the current text).

- Do not rule out some limited further movement on our part, probably at the conclave. But Presidency proposals go too far. And any further extension particularly undesirable in areas of significant expenditure - development, networks - or in areas where we have problems with the texts themselves - eg social. We cannot be expected to make a double jump.

- Rest of package to increase non-legislative powers of the EP acceptable. Taken as a whole these measures will represent an important step forward.

- In principle we support French "Congress" proposal. Similar to our ideas for involving national parliaments. But too biased in favour of EP. Officials in touch over changes which will allow us to support text. Doubts about a treaty text - (prefer declaration) because we can't tell Parliament what to do.

European Parliament: Background

1. The French have moved a long way to meet German desires for a greater legislative role for the EP, albeit with some reluctance. They accept the negative assent procedure now proposed, although Dumas spoke up against German efforts at the Conclave to make it still more friendly towards the EP.

2. Mitterrand himself will not have focussed on the details of the scope of the procedure, and will hope it can be resolved before Maastricht, so that he will not have to. The French can accept the latest Presidency proposals with the exception of development or cohesion, which they see as being too expensive. We need to convince Mitterrand that the Germans will settle for less than this.

3. The German proposal to increase the number of its MEPs to 99 is accepted by all, subject to a French reserve. It may be that the prospect of a German dominated Parliament will temper Mitterrand's views on the scope of codecision when he comes to focus on the issue.

4. We have two main difficulties with the French proposal for a "Congress" or Conference of European and National parliamentarians. It should not figure in the treaty itself (dictating to Westminster) and should not be so biased in favour of MEPs (half the members and the chairman). We can tell Mitterrand we support the principle of the proposal, but will want to see some details changed. (We anticipate trouble in Westminster with the French text as it stands).

Interior/Justice Cooperation

- Clearly we must work together to combat illegal immigration, abuse of asylum and organised crime. Welcome provisions for this in separate treaty chapter on interior/justice.

- Article A, (outside competence), covers all the important areas: asylum; immigration conditions of residence, combatting unauthorised immigration; combatting drug addiction and international fraud; judicial cooperation in civil and criminal matters; customs and police cooperation in preventing terrorism, drug trafficking and serious forms of international crime.

- Strong UK interest in extending existing cooperation, within the Union on their basis.

- But see no need to introduce Community competence here. Commission has no experience in this area; wrong to give ECJ jurisdiction over sensitive national issues like immigration and visa policy.

- Recognise importance to Germany of immigration questions to be handled within Community competence at some stage. We might accept a provision that this could happen in the future. But no need to have any issues within competence now. Deal on these lines may be acceptable to Germany.

Interior/Justice: Background

1. The Presidency text includes a separate pillar for interior/justice matters, including a substantial list of areas for inter-governmental cooperation in Article A. But some immigration matters (short-term immigration and visa issues) are placed within EC competence, with visas subject to QMV. A link between inter-governmental cooperation and the Treaty of Rome is also provided (Article K) which would enable other immigration/asylum issues to be brought within Community competence subject to a double-lock: unanimity and a national ratification procedure.

2. France has indicated it is willing to accept the treaty text as it stands. Although we would have expected them to share our concerns, (and parts of the French administration have done so), we have received little support for our scepticism about a Community immigration policy. It seems that France effectively accepts creeping Community competence in this area, and is ready to go along with any text acceptable to Germany. But it is not clear that Mitterand himself has yet focussed on the issue, or seen the potential domestic sensitivities of handing over immigration policy to the Community.

Competence and QMV

- Deletion of four marginal texts a significant improvement. No need to have texts on everything.

- Of remaining texts, willing to see extension of competence in areas such as health and education, with some QMV, eg on the environment.

- But concerned about potential costs of some competence chapters. In particular must retain unanimity for development, networks, and research and development. QMV could lead to higher costs and distortion of national policies. Given this growing cost to France [significant net contributions] we should share this objective.

- Difficulty, however, with texts on industry and culture. They are contrary to free market principles of Treaty, contrary to principle of subsidiarity; and to broad acquis of the Single Market, which has been the Community's success.

Competence: Background

1. The French are suspicious of the Commission's expansionist tendency and should be inclined to resist further encroachment. In practice, however, they have taken a relaxed view, and have said they can accept most of the texts on the table.

2. The industry text is a French initiative, to which Mitterrand will be attached. They have said that they are not willing to see it watered down further. In recent weeks this has moved higher up France's list of priorities for Maastricht for domestic reasons: unemployment, the lack of any economic recovery, irritation with the Commission over the De Havilland decision, and continued concern about competition from Japan in key industry sectors. Our preference would be deletion. But as a fall-back we and the Germans, with some support, (eg Danes and Dutch) are seeking to remove any decision-making provision, and to keep the text as liberal as possible. Unanimity would be needed for any text we agreed.

3. The French would be reluctant to accept a treaty without any culture chapter: our objective is to delete it. We share common ground on development: we both require unanimity. But on the other big spending chapters - R and D and networks - the French can accept QMV, where we will insist on unanimity. Their budgetary interest (as net contributors) should be in unanimity.

Social Policy

- You know our position on this. We cannot go beyond the existing Treaty arrangements. The Commission is already interpreting existing treaty texts more widely than we want (eg over pregnant workers, working time directive etc). Widening those texts still further would not be acceptable to Parliament.

- Recognise you regard an extension of competence in the social field as important. But if others insist on retaining an unacceptable text in the treaty, there will be no political union treaty at all. Self-defeating to demand an over-ambitious text.

- Every member state has its own special concerns in employment and social policy. Not trying to interfere with national practices. Subsidiarity should apply.

- In UK, much political will and energy expended in past decade to improve structure of industrial relations. Not willing to put these advances at risk through inappropriate harmonisation.


- Presidency's proposals bear out problems: an elaborate structure dividing subjects between unanimity and QMV with exclusion clauses would simply not work in practice.

- Others are free to regulate their social provisions as they wish. But UK cannot accept Presidency proposals.

Social Policy: Background

1. A key subject for France. Mitterrand is keen to extend France's social protection levels to rest of Europe. Widespread support in France for this, so Mitterrand's position is therefore defined by political as much as by practical needs. At 12/13 November Conclave, France said current text on social was the bottom line for them. But we must hope that the French would risk losing their key objective (EMU) by incurring a British block on the social chapter and hence on political union as a whole.

2. Our objective with Mitterrand should therefore be to give him a clear indication of the limits in our flexibility on this issue. This may stimulate the French to consider before Maastricht what whether they can give Mitterrand the publicly defensible appearance of progress without the same degree of underlying substance.



Cohesion

- Very concerned about potential costs of Spanish proposals for cohesion. Would open floodgates to an ever bigger Community budget geared to subsidising Southern member states.

- But also concerned with present Presidency text on cohesion. Amendments are required, in particular to remove EMU from cohesion objectives, prevent cohesion becoming an objective of all Community policies, and to prevent the establishment of new funds.

- Hope we can cooperate at Maastricht to secure necessary improvements in this text.

- At most should list Spanish demands in a neutral declaration, indicating these are for discussion in next year's future financing review.

Cohesion: Background

1. The French support the Northern line, although they are openly sympathetic to Spanish problems and would be prepared to accept a formula which gives a bigger nod in the direction of an increased EC budget than we would like. However, they are more worried than they were about France's growing net contribution and will be reasonably sensitive to our arguments.

2. A copy of our draft declaration on cohesion, already passed to Kohl and Lubbers, is attached.

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.

CFSP

- UK and France, more than other members of the Twelve, have really significant national foreign policies which cannot simply be overridden by the CFSP. We are willing to put our foreign policy assets at the disposal of the Twelve. But not against our own interests. No doubt France shares this view.
- UK strongly committed to strengthening European foreign policy. Will be one of the big steps forward from this IGC.
- We are ready to accept a legally binding commitment to joint action if the detailed arrangements are right.
- Continue to believe that QMV in CFSP would be a mistake. Present text provides for its use "as a general rule" for the modalities of implementing joint action.
- On what sort of issues is France prepared to allow use of QMV? How will it be possible to define these? Will extension of QMV to issues of real substance not become inevitable once the principle of QMV in CFSP is agreed?
- Believe that the increase in our obligations to concert and abide by a CFSP means that we need a supreme national interest release clause.
- Both UK and France have a vital interest to protect in our Permanent Membership of the Security Council. Need to be sure that, in that forum, we cannot be gagged or paralysed by the CFSP.
- This means that we must have a declaration annexed to the Treaty on the Security Council. Our officials have agreed a form of words which the Belgians have sold to the Presidency. The Presidency are now negotiating the text with the Italians (who can be difficult on this subject).
- We need to be prepared to defend this declaration at Maastricht and ensure that it is not diluted.

BACKGROUND: CFSP

1. On CFSP the French are committed both to joint action and QMV. President Mitterrand is unlikely to be concerned about the exact terms of joint action, but should react strongly to any suggestion that French independence of action would in practice be curtailed. It would be worth harping on this. It may also be worth explaining our reservations about the use of QMV in CFSP. France has supported the last Presidency text providing for QMV "as a general rule" for implementing joint action, but will settle for the more limited case-by-case approach which the Presidency are now likely to propose. It would be useful to have Mitterrand as an ally on a supreme national interest let out clause, though the French may regard the existing text (Article C 3-5) as giving them enough of a let-out. We must make sure that Mitterrand is aware of efforts to secure a declaration protecting the British and French position in the Security Council and that he is prepared to fight for it, if necessary, at Maastricht.

PM/MITTERRAND

Defence

- We share same objective: to build a serious European defence capability compatible with Alliance.

- Glad that officials (Wall/Morel) able to clarify on Friday how this synthesis might be set out in Treaty Article on Defence and WEU Declaration on relations with Union and Alliance. But also clear that many differences remain and that text not yet ripe for Maastricht.

- Suggest we instruct officials to clear ground after Conclave on basis of:
 - perspective of a common European defence policy compatible with NATO (Rome Summit language);

 - WEU, as vehicle for this in next phase (1992-5).
Independent, with close but different links to both Union and Alliance;

 - review in 1996.

- [If necessary]

- Not asking France to give up her perspectives (common defence in CFSP from start, fusion of WEU and Union). No prospect of agreement on these at Maastricht. For history and future reviews to decide.

- Defence too sensitive and complicated to be taken to Maastricht unprepared. Would prefer to leave this issue to 1996 rather than accept defective or ambiguous language.

- Specific UK difficulties with French proposals:

- CFSP should not include defence from the start: but we could accept: "the longer term perspective of a common defence policy compatible with the common defence policy that certain member states already have in the Atlantic Alliance";

- there should be a clear reference to compatibility with the Alliance (see above);

- the WEU should not be subordinated to the Union (for example, obliged to act "in conformity with European Council Directives"). But we could say that the WEU should act consistently with policies of the Union (as of the Alliance).

Defence: Background

1. Mitterrand may well camp on the Franco-German proposals until Maastricht itself. Once there, however, he may well be prepared to be flexible over not including "common defence" in CFSP from the start, or subordinating WEU to the Union, provided the Treaty includes the perspective of a common defence. The most difficult task may well be to persuade him to accept a reference in the Treaty to compatibility with the Alliance. If we can persuade him that sending defence to Maastricht unprepared risks no agreement on it, then officials should be able to clear the ground between the Conclave and the European Council.

2. Although French and German officials agreed reluctantly on 27 November to discuss a single draft WEU Declaration, they showed virtually no flexibility on points of principle, and apparently still envisage the Twelve being invited to approve a text on relations between the Union and the WEU.

GATT

Export subsidies

1. Agreement more likely on a mix of volume and value reductions (not volume alone, as US want).
2. If agreement reached on export subsidies EC's rebalancing demands will not prevail with US.
3. Lubbers found his meeting with Madame Guigou and the French Foreign Trade Minister, M. Strauss-Kahn helpful in giving him the room he needs to negotiate. Lubbers told me yesterday he will make clear these are not just one way negotiations, i.e. the Americans will have to move too.

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