



Treasury Chambers, Parliament Street, SW1P 3AG

01-270 3000

I am reluctant to agree at all that we should convene such a conference. We know that we can never agree to anything in the future. We shall have to be overruled on this.

24 November 1989

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Prime Minister

This replies to your request to see spelled out the conditions which we might try to attach to an IGC. The Foreign Secretary's views are at the back. Are you generally

Dear Charles

EUROPEAN COUNCIL, STRASBOURG: EMU

The Prime Minister has asked (your letter of 14 November) for urgent work to be done on the conditions which might be attached to a decision in Strasbourg to set a date for an intergovernmental conference (IGC). This is on the assumption that we ourselves would not be in a position to float such conditions at Strasbourg (since we have said that we shall vote against an IGC) but that we should try to persuade others to do so.

... The Chancellor considered the UK's objectives for Strasbourg and the types of conditions we might seek. The attached draft of possible conclusions for Strasbourg is the sort of outcome he thinks we could aim for if, as seems likely, a majority will be reached in Strasbourg both for convening an IGC and for setting a date on which it should start work.

In that event, he thinks our main objectives should be:

- (i) to establish the need for further analysis, both before and during an IGC, to allow maximum time for differences on key issues to emerge;
- (ii) to keep the UK paper on table;
- (iii) to maintain the momentum of the single market programme and other policies which the UK favours;

central in this approach?
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- (iv) to ensure that no end date for an IGC is specified;
- (v) to ensure that there remains a choice between sequential treaty amendments and an all-in-one change;
- (vi) to secure, if possible, recognition that there should be conditions for moving beyond Stage 1, especially the achievement of real progress on economic convergence; and
- (vii) to insert a reference to subsidiarity, which may be a useful peg if arguments about political accountability develop during an IGC.

There are broadly three categories of conditions: (i) those which should be met before an IGC begins, (ii) those which should be taken into account during an IGC, and (iii) those which should be satisfied before moving beyond Stage 1.

In category (i), the proposed draft provides: in clause (a), for Stage 1 to have started on 1 July 1990; in clauses (b) and (c), for continued analysis of the questions and issues raised by the documents before the Council, including the UK's paper; in clause (c), for full and adequate preparation for an IGC; and, in clause (e), for France and Italy to liberalise capital movements, as they are required to do, by 1 July 1990.

In category (ii), the draft provides: in clauses (b) and (c), for continued analysis of the issues raised by all documents before the Council, including the UK's paper; in clause (d), for full account to be taken both of progress in implementing and the effects of Stage 1 measures; also in clause (d), for the principle of subsidiarity to be given full weight.

In category (iii), the draft provides: in clause (d), for attaining a high degree of convergence of economic performance, and for taking into account the effects of Stage 1 measures.

It would be helpful to have the Prime Minister's agreement that the text may be used in very selective and informal contacts before Strasbourg.

I am copying this letter to Stephen Wall (FCO).

V...

JG.

JOHN GIEVE
Principal Private Secretary

DRAFT

The European Council:-

(a) noted that the provisions necessary for the launch of Stage I, the full implementation of which would bring substantial benefits to the Community and constitute a major step towards Economic and Monetary Union, were now ready for adoption, and accordingly confirmed that Stage I would start on 1 July 1990;

(b) noted that all member states now agreed that further measures in addition to those outlined in the Delors Report's prescription for Stage I would be required; and noted that the documents before the Council, including the UK's paper entitled 'An Evolutionary Approach to Economic and Monetary Union', identified a number of questions and issues which would require further analysis both before and during an Inter-Governmental Conference;

(c) in the light of (b) above, invited the competent bodies to continue their analysis of the questions and issues raised by these documents; and confirmed the need for full and adequate preparation for such a Conference;

(d) noted the need to take full account during an Inter-Governmental Conference of progress in implementing Stage I measures, and the effects of these measures, including liberalisation of the insurance, banking and investment services sectors, and strengthening of competition policy; recalled that progress towards Economic and Monetary Union requires a high degree of convergence of economic performance between member states; recalled also the need to take full account of the principle of subsidiarity; and agreed that the effects of Stage I measures would be relevant to subsequent decisions on the timing of later moves;

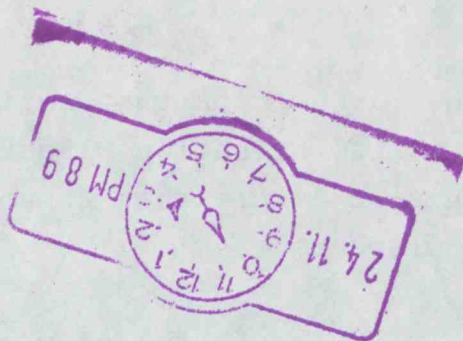
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(e) on the above basis, and on the assumption that actions required by then on the Capital Movements Liberalisation Directive 1988 would have taken place, agreed in principle that it would then be appropriate to convene such a Conference.

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Foreign and Commonwealth Office

London SW1A 2AH

24 November 1989

Dear Charles,

European Council, Strasbourg: EMU

The Foreign Secretary has seen John Gieve's letter of 24 November, and its enclosed text. He is generally content, subject to the following points.

First, condition (d) may be more than the market will bear; and the first five lines on Single Market measures are unlikely to be negotiable in full. But the Foreign Secretary sees no harm in having some negotiating room in our text.

Second, we have yet to solve the mystery of Kohl's Paris remarks (Bonn telno 1135) about a mandate. But we patently cannot rely on his holding out against French pressure for setting a starting date at Strasbourg. If he were to suggest that what should start by end 1990 was not an IGC but the preparation of a mandate for an IGC, that would obviously be better for us, but our "Conditions" would still, in the Foreign Secretary's view, be relevant to such preparations. So we cannot afford to wait for Kohl to make up his mind before deciding ourselves on appropriate "Conditions" for a Strasbourg decision.

Third, the Foreign Secretary thinks it very important that in our contacts with e.g. the Dutch and Danes we should leave them in no doubt that we consider the calling of an IGC premature, and will not vote for it. Our position in an IGC would be weakened if others could maintain that we had voted for it, and had thus accepted the principle of Treaty amendment. The Foreign Secretary envisages that, even if we were at Strasbourg confronted by a draft Conclusions text which incorporated our key Conditions, the Prime Minister should still make clear that she could not vote for an IGC, with its presumption of Treaty change, on the time-scale envisaged: she might, however, go on to say that, provided our position was clearly understood, she would not oppose the adoption of the Conclusions.

I am copying this letter to John Gieve (HMT).

Jan.
Stephe Wall
(J S Wall)

Private Secretary

C D Powell Esq
10 Downing Street

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