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TO IMMEDIATE FCO

TELNO 3751

OF 280900Z NOVEMBER 89

INFO PRIORITY OECD POSTS, BUCHAREST, BUDAPEST, EAST BERLIN, MOSCOW
INFO PRIORITY PRAGUE, SOFIA, WARSAW

FRAME GENERAL

THE FRENCH PRESIDENCY AND THE STRASBOURG EUROPEAN COUNCIL

1. YOU AND THE PRIME MINISTER WILL BE SEEING THE PRESIDENT OF THE COMMISSION ON 30 NOVEMBER/1 DECEMBER. YOU WILL BE MEETING GENSCHER THIS WEEK AND DUMAS ON 5 DECEMBER. THERE MAY BE OTHER BILATERAL CONTACTS IN THE RUN-UP TO THE STRASBOURG EUROPEAN COUNCIL ON 8/9 DECEMBER. AN ATTEMPT AT AN OVERVIEW OF THE EC SCENE MAY THEREFORE BE USEFUL.

2. THE FRENCH PRESIDENCY IS REACHING ITS CLIMAX AMIDST A FLURRY OF INTERNATIONAL MEETINGS WHICH ARE TRANSFORMING THE COMMUNITY'S EXTERNAL RELATIONS AND AMIDST MUCH RUMOUR OF SPLITS OVER THE INTERNAL DEVELOPMENT OF THE COMMUNITY, PARTICULARLY OVER EMU AND THE SOCIAL CHARTER.

3. WHILE SOME OF THE FRENCH EXTERNAL ACTIVITY IS GRATUITOUS AND UNWELCOME SELF-GRATIFICATION (THE EUROP-ARAB MEETING IS THE PRIME EXAMPLE OF THIS), MUCH OF IT CONSISTS OF A REASONABLY EFFECTIVE AND WELCOME RESPONSE TO EXTERNAL DEVELOPMENTS LARGELY IN LINE WITH OUR OWN POLICY OBJECTIVES (THE 13 DECEMBER MEETING AT MINISTERIAL LEVEL OF THE G24 COORDINATING GROUP ON ASSISTANCE TO POLAND AND HUNGARY, THE 19 DECEMBER MEETING WITH THE EFTA MINISTERS TO DECIDE ON THE LAUNCHING OF NEGOTIATIONS FOR A WIDER APPLICATION OF THE SINGLE MARKET AND OTHER EC POLICIES ARE CLEAR CASES IN POINT).

4. THE FRENCH PRESIDENCY ALWAYS PROMISED TO BE A DIFFICULT ONE FOR US ON THE INTERNAL FRONT AND IT HAS INDEED PROVED TO BE SO. THEIR SINGLE-MINDED DETERMINATION TO FIX A DATE FOR AN INTER GOVERNMENTAL CONFERENCE ON EMU HAS BROUGHT THEM INTO SHARP CONFLICT WITH OUR EVOLUTIONARY APPROACH. OVER THE SOCIAL CHARTER THEY (AND OTHER MEMBER STATES) HAVE PREFERRED TO PLAY TO THEIR DOMESTIC GALLERIES RATHER THAN TO GET TO GRIPS WITH THE COMPLEX ISSUES OF HOW MUCH OF THE SOCIAL DIMENSION REALLY NEEDS TO BE DONE AT COMMUNITY LEVEL AND HOW MUCH SHOULD BE LEFT TO MEMBER STATES. THEIR POSTURING

OVER AUDIO-VISUAL POLICY STRIKES NO CHORD WITH US. A SOMEWHAT ERRATIC SINGLE MARKET PERFORMANCE LOOKS LIKE PROVING LESS DAMAGING AND DISAPPOINTING THAN MIGHT HAVE BEEN EXPECTED, ALTHOUGH THERE HAVE BEEN SOME STRIKINGLY PARTISAN PERFORMANCES ON TELECOMMUNICATIONS LIBERALISATION AND ROAD HAULAGE CABOTAGE.

5. WITH TEN DAYS TO GO TO THE STRASBOURG EUROPEAN COUNCIL THE PROSPECTS FOR OUR PRESENT AND FUTURE POLICY OBJECTIVES LOOK RATHER LESS GLOOMY THAN I WOULD HAVE PREDICTED A FEW MONTHS AGO. THIS IS PRINCIPALLY BECAUSE THE TURMOIL IN EASTERN EUROPE AND THE COMMUNITY'S SO FAR RATHER EFFECTIVE AND CONSTRUCTIVE RESPONSE TO IT ARE SETTING THE INTERNAL TENSIONS IN A NEW AND WIDER PERSPECTIVE.

6. THE STRASBOURG MENU LOOKS ROUGHLY AS FOLLOWS:

(I) ECONOMIC AND MONETARY UNION

THIS IS A FINE EXAMPLE OF THE CAPACITY OF THE COMMUNITY TO REDUCE EVEN THE MOST FUNDAMENTAL POLITICAL AND ECONOMIC ISSUES TO QUESTIONS OF PROCEDURE. THE SUCCESS OR FAILURE OF STRASBOURG FROM THE FRENCH POINT OF VIEW NOW TURNS ON WHETHER OR NOT THEY MANAGE TO GET SUFFICIENT SUPPORT TO SET A DATE (OR A PRECISE TIME FRAME) FOR CALLING AN INTER GOVERNMENTAL CONFERENCE OR WHETHER, AS A RESULT LARGELY OF GERMAN DOUBTS, THEY ARE COMPELLED TO FUDGE THAT ISSUE. FAILURE WILL NOT IN FACT MEAN THAT AN IGC WILL NOT MEET BEFORE THE END OF 1990: THE ITALIAN PRESIDENCY IN THE SECOND HALF OF NEXT YEAR IS LIKELY TO BE QUITE INGENIOUS ENOUGH, AS THEY WERE IN 1985, TO BRING THAT ABOUT IN DUE COURSE. BUT NOR WILL SUCCESS MEAN THAT FRANCE AND THE COMMISSION'S MAXIMALIST OBJECTIVES OF NEGOTIATION OF AN EMU TREATY, WITH OR WITHOUT THE UK, AND ENTRY INTO FORCE OF THAT TREATY BY 1 JANUARY 1993 ARE ON THE HIGH ROAD TO ACHIEVEMENT. THE REAL PROBLEMS AND THE REAL DIFFERENCES BETWEEN MEMBER STATES WILL REMAIN TO BE RESOLVED: THE IMPLICATIONS FOR EMU OF THE DEVELOPMENTS IN EASTERN EUROPE AND OF THE OUTCOME OF AN UNPREDICTABLE GERMAN FEDERAL ELECTION IN LATE 1990 REMAIN OBSCURE: OUR OWN EVOLUTIONARY APPROACH IS LIKELY TO PROVE MORE RELEVANT AND MORE WIDELY APPRECIATED IN THE SUBSTANTIVE WORK IN THE YEARS AHEAD THAN IT HAS DONE IN THE CONTEXT OF THE NARROW ARGUMENT OVER WHETHER AND WHEN TO CALL AN IGC.

OUR OWN OBJECTIVES AT STRASBOURG, IF WE FAIL TO PREVENT AN IGC DECISION, SHOULD I SUGGEST BE TO MINIMISE THE DAMAGE TO OUR OWN POSITION AND FUTURE CREDIBILITY OF SUCH AN OUTCOME, TO KEEP OUR OWN EVOLUTIONARY APPROACH FIRMLY ON THE TABLE, TO ATTACH SUCH CONDITIONS AS WE CAN, IN PARTICULAR THE ABOLITION OF EXCHANGE CONTROLS BY FRANCE AND ITALY, TO ANY SUCH DECISION AND TO MAKE IT CLEAR THAT OUR

PARTICIPATION IN AN IGC DOES NOT IMPLY THAT WE HAVE ACCEPTED THE PRINCIPLE OF TREATY CHANGE AT AN EARLY DATE.

(II) SOCIAL CHARTER

THIS MISERABLY ILL-CONCEIVED VENTURE IS GOING TO BE PUT TO REST AT STRASBOURG EITHER BY ELEVEN OR BY TWELVE MEMBER STATES. IT LOOKS AS IF THE FRENCH HAVE NOW CONCLUDED THAT THE GAME OF RE-DRAFTING THE TEXT TO GET OUR ACCEPTANCE IS NOT WORTH THE CANDLE. IF SO, IT WILL BE ELEVEN. THAT IS NO GREAT DISASTER FOR ANYONE. THE MAIN SPONSORS OF THE CHARTER ARE UNDER INCREASING ATTACK FROM THOSE THEY INTENDED TO PLEASE FOR ITS INADEQUACIES IN THEIR EYES. A TEXT NOT SUBSCRIBED TO BY ALL MEMBER STATES IS OF LITTLE PRACTICAL USE AS A BASIS FOR FUTURE POLICY AND LEGISLATIVE PROPOSALS. ATTENTION WILL QUICKLY SWITCH AFTER STRASBOURG TO THE COMPONENT PARTS OF THE COMMISSION'S PROPOSED SOCIAL ACTION PROGRAMME. SOME OF THESE ARE MANAGEABLE FROM OUR POINT OF VIEW, SOME OF THEM ARE DISTINCTLY TROUBLESOME. BUT WE WOULD HAVE HAD TO FACE THESE PROPOSALS ANYWAY: THEY ARE NOT A CONSEQUENCE OF THE SOCIAL CHARTER. AND WE SHOULD FIND MORE ALLIES IN THE DISCUSSION OF ACTUAL LEGISLATIVE PROPOSALS THAN WE HAVE DONE OVER THE DECLAMATORY RHETORIC OF THE CHARTER. OUR OWN LINE COULD CONTINUE TO BE THAT WE COULD HAVE ACCEPTED A CHARTER BUT NOT THIS CHARTER: THAT WE MADE A FIRM OFFER TO CONTINUE WORK TO FIND COMMON GROUND AFTER THE 30 OCTOBER SOCIAL AFFAIRS COUNCIL BUT THE PRESIDENCY DID NOT CHOOSE TO TAKE IT UP: AND THAT WE WILL TREAT EACH OF THE COMPONENT PARTS OF THE SOCIAL ACTION PROGRAMME ON ITS MERITS, ACCEPTING THOSE WHICH PASS THE SUBSIDIARITY TEST AND GENUINELY CONTRIBUTE TO HEALTH AND SAFETY AT WORK AND MORE JOBS AND OPPOSING THOSE THAT WOULD UNDERMINE THE COMPETITIVITY OF EUROPEAN INDUSTRY AND WHICH DEAL WITH SUBJECTS BETTER HANDLED AT NATIONAL LEVEL OR BY PRIVATE AGREEMENT WITHIN INDUSTRY.

(III) SINGLE MARKET

FRENCH PRESIDENCY RHETORIC AND THE UNENDING REPETITION OF THEIR TRILOGY OF INTERNAL OBJECTIVES (EMU, SOCIAL CHARTER, AUDIO-VISUAL) HAS UNDERMINED THE PUBLIC IMAGE OF THE SINGLE MARKET AS THE COMMUNITY'S TOP PRIORITY, EVEN IF IT HAS NOT IN FACT RESULTED IN ANY MARKED SLOWING DOWN OF THE SINGLE MARKET PROGRAMME OR ANY DIVERSION OF IT FROM THE DEREGULATORY AND OPEN COURSE ON WHICH THE COMMISSION AND PREVIOUS PRESIDENCIES HAVE SET IT. ONE OF OUR MAIN OBJECTIVES AT STRASBOURG SHOULD BE TO BRING IT BACK INTO THE CENTRE OF THE STAGE. THE DECEMBER INTERNAL MARKET COUNCIL IS IN FACT WELL PLACED TO TAKE DECISIONS ON A SUBSTANTIAL PACKAGE OF MEASURES WE SUPPORT. ENDORSEMENT OF THAT CONCEPT BY THE EUROPEAN COUNCIL WOULD THUS INCREASE THE LIKELIHOOD OF SUCCESS AND RAISE THE PROFILE OF THE

SINGLE MARKET FOR THE NEXT PRESIDENCIES. WE SHOULD ALSO AIM TO GET A BLESSING IN THE CONCLUSIONS FOR AS MANY OF OUR MEDIUM TERM SINGLE MARKET OBJECTIVES AS POSSIBLE. IT MAY BE WORTH MAKING THE POINT THAT THE SINGLE MARKET IS THE INTERNAL COMMUNITY POLICY MOST RELEVANT TO WHAT WE ARE ALL TRYING TO DO TOGETHER IN EASTERN EUROPE, SINCE IT WILL HELP US TO HAVE SUFFICIENT RESOURCES TO ASSIST REFORM PROGRAMMES THERE AND PROVIDE AN OPEN AND GROWING MARKET FOR THE GOODS OF THOSE COUNTRIES AS THEY MAKE THE PAINFUL TRANSITION TO MARKET ECONOMIES.

(IV) EASTERN EUROPE

THE PACE OF DEVELOPMENTS ON THE GROUND IN EASTERN EUROPE AND THE JUXTAPOSITION OF THE BUSH/GORBACHEV MEETING WILL ENSURE THAT A FURTHER DISCUSSION OF EASTERN EUROPE FOLLOWING THE ELYSEE DINNER IS INEVITABLE AND NOT SOMETHING FOR WHICH WE HAVE TO STRIVE. STRASBOURG WILL ALSO BE AN OCCASION TO WRITE DOWN ON PAPER IN THE PRESIDENCY CONCLUSIONS SOME OF THE BROAD PRINCIPLES ADUMBRATED BY PRESIDENT MITTERRAND AFTER THAT DINNER. MOST OF THE IMMEDIATE PRACTICAL DECISIONS ON TRADE AND AID, TO HELP POLAND AND HUNGARY IN PARTICULAR, WILL ALREADY HAVE BEEN TAKEN BY THEN, ALTHOUGH A FURTHER TRANCHE OF FOOD AID FOR POLAND COULD BE DECIDED AT STRASBOURG IF WE SO WISHED. THE FRENCH WILL PUSH HARD FOR APPROVAL IN PRINCIPLE FOR THEIR DEVELOPMENT BANK PROJECT AND LOOK LIKELY TO HAVE SUBSTANTIAL SUPPORT FOR THAT. WE MAY HAVE SOME TROUBLE OVER THE RATHER FUTILE ARGUMENT ABOUT WHETHER EVENTS IN EASTERN EUROPE CALL FOR ACCELERATION OR DECELERATION OF THE COMMUNITY'S OWN DEVELOPMENT. STEADY AS SHE GOES OUGHT TO WIN THE DAY, ALTHOUGH ONE CAN NEVER UNDERESTIMATE THE CAPACITY OF EUROPEAN COUNCILS TO SQUABBLE OVER SUCH ABSTRACT VERBAL CONCEITS.

7. THERE WILL BE PLENTY OF OTHER MINOR ITEMS JOCKEYING FOR A PLACE IN THE CONCLUSIONS BUT THE MAIN ONES ARE REVIEWED ABOVE. THE COMMUNITY ARRIVES AT STRASBOURG WITH ITS ROLE IN INTERNATIONAL EVENTS CONSIDERABLY ENHANCED BY RECENT DEVELOPMENTS IN EASTERN EUROPE. NOT FOR THE FIRST TIME THE CREW ARE SOMEWHAT AT ODDS ABOUT WHICH DIRECTION THEY ARE SAILING IN BUT NOT FOR THE LAST TIME MOST ARE MORE LIKELY TO AGREE THAT THESE DIFFERENCES ARE LESS IMPORTANT THAN WHAT UNITES THE COMMUNITY THAN THEY ARE TO FALL OUT DEFINITELY.

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