

PRIME MINISTER

STRASBOURG EUROPEAN COUNCIL

You have a meeting tomorrow morning with David Hannay and David Hadley (Cabinet Office) as part of the preparation for the European Council in Strasbourg next week. The purpose is to talk you through the agenda. You will be seeing M. Delors straight afterwards, so it will be an opportunity to go over any points which you need to raise with him.

The main items for the Council are:

- Relations with Eastern Europe.

It will serve our interest to try to make this the main positive theme of the Council. The task will be to give substance to the general guidelines set at the Heads of Government Meeting in Paris on 18 November. There will need to be a political declaration and a decision on what the Community is prepared to do in terms of further aid. We shall want to get a clear statement of the options for closer association between the Community and the Eastern European countries. The French will want a decision in principle on their idea for an Eastern European Development Bank: the chances are that everyone else will fall in with this. You will want to consider whether - if this happens - it will be worth holding out against it and giving the impression that we are against everything which Europe is doing. If we are isolated on this, it might be better to accept it in principle, and concentrate on constraining and restricting its activities as far as possible in the technical discussions which will follow over the next few months.

- Single Market.

We shall want a clear and resounding commitment to further progress on the Single Market, which also mentions our particular priorities for the future: telecommunications, financial services, lorry quotas,

air fares and insurance. This is the most pressing task facing the Community.

- Social Charter

Since there seems virtually no chance of a text to which we can agree, we have interest in minimising discussion and simply putting on record the reasons why we are unwilling to sign the Charter. All the points in it will eventually come forward in the form of detailed proposals and draft directives from the Commission, and it is on these that the battle will be fought. (I have asked Departments to finalise the draft of the sort of Charter we could have accepted, which we could use to demonstrate to the press and others how reasonable our position is.

- Economic and Monetary Union.

You will have seen the separate papers on this. We want to get over two points: first, all that is required at Strasbourg is a procedural decision about how to take work forward - and on this Kohl's ideas would suit us better than the Presidency's proposal for IGC in the second half of 1990 (but will Kohl actually stand up for his own ideas?) Second, you want to leave no one in any doubt that we shall not be able to accept stages 2 and 3 of Delors as they are. Again, we have no great interest in making a meal of this subject at Strasbourg: the real battles will be fought later.

There will be a number of lesser subjects which David Hannay will be able to take you through. You will also want his advice on how to handle Chancellor Kohl's intention to demand that an IGC should also consider extension of the powers of the European Parliament. He is apparently determined to press this at Strasbourg.

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30 November 1989

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