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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 December 1989

Dear Hugh,

EUROPEAN COUNCIL, STRASBOURG

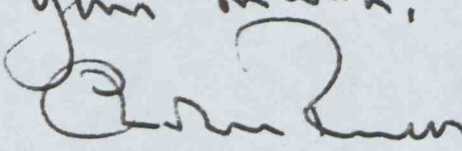
The Prime Minister had a talk this morning with Sir David Hannay and Mr Hadley about the forthcoming European Council in Strasbourg. A number of points emerged which you will wish to note:

- the Prime Minister said that our undeclared aim should be to move the focus of the Strasbourg Council away from EMU and the Social Charter and towards the more urgent and vital question of the Community's response to developments in Eastern Europe. This was an issue on which the Community was much more united. She agreed with Sir David Hannay that events themselves would propel the Council in this direction.
- the Prime Minister said that we should underline that the Social Charter had been thoroughly debated in Parliament, with a substantial majority opposed to it. We should have to hand - for briefing the press - an example of the sort of Social Charter we could have accepted. She would also need a crisp statement of our objections to the existing draft. She agreed that our tactical objective should be to minimise discussion in the Council, and leave the Charter to be quickly forgotten.
- the Prime Minister hoped that we could get into the conclusions of Strasbourg a clear statement that further enlargement of the Community was not on the agenda at least until after 1993.
- the Prime Minister would like a clear and staccato speaking note on our practical objections to the French proposal for an Eastern European Development Bank. She agreed with Sir David Hannay that the main argument against it should be the impossibility of imposing political conditionality through an institution in which the Eastern European countries themselves were represented. She accepted that we should have to agree to further study of the proposal after Strasbourg, but should avoid any attempt to reach a definitive decision to have such a bank.

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- the Prime Minister agreed that we should try to bring the Single Market back to centre stage and seek the European Council's backing for a package of measures at the Internal Market Council on 18 November. Sir David Hannay said the Prime Minister might underline the relevance of the Single Market to Eastern Europe: both in terms of generating the resources to help the Eastern European countries, and of providing a market for their exports. The Prime Minister said that her briefing should provide a concise statement of the number of directives already agreed and the number outstanding: the latest state of play on implementation: and the particular directives which we wanted to see agreed over the next twelve months.
- the Prime Minister said that we should not be lured into thinking that the date of an IGC was a purely procedural decision. There was no point in having an IGC to discuss Treaty amendment until we knew exactly what the Community intended to achieve with economic and monetary union. Nor were Chancellor Kohl's ideas for a timetable which would include a finishing date for an IGC helpful. We would need to make clear that we could not accept Stages 2 and 3 of the Delors plan. Her speaking note should explain the thinking behind our proposal for an evolutionary approach. She would also like to draw on some of the specific arguments advanced by Herr Poehl (it would be helpful to have a compendium of them, drawn from his various speeches and statements). The Prime Minister acknowledged that arguments about lack of democratic accountability in the Delors' proposals would need to be handled carefully, to avoid giving ammunition to those who wanted to strengthen the powers of the European Parliament.

I am copying this letter to John Gieve (HM Treasury), Neil Thornton (Department of Trade and Industry), Clive Norris (Department of Employment) and David Hadley (Cabinet Office).

Yours sincerely,


C. D. POWELL

Stephen Wall, Esq.
Foreign and Commonwealth Office