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FM UKDEL STRASBOURG (AMENDED DISTRIBUTION 11TH DECEMBER 89)
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AND TO PRIORITY EC POSTS, OECD POSTS
AND TO PRIORITY EASTERN EUROPEAN POSTS
AND TO PRIORITY TOKYO (FOR BAYNE)

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FOLLOWING FROM SIR DAVID HANNAY

MIPT

EUROPEAN COUNCIL: STRASBOURG: 8-9 DECEMBER:
EVALUATION.

1. THIS LONG (ONE AND A HALF DAYS AND TWO WORKING MEALS) AND COMPLEX EUROPE COUNCIL RAN PRETTY TRUE TO PREDICTION. THERE WERE NO SURPRISES. THE FRENCH PRESIDENCY WILL CLAIM, AND WILL BE CREDITED BY MANY WITH, A STRING OF SUCCESSES. BUT TENSIONS OVER ECONOMIC AND MONETARY UNION AND, TO A MUCH GREATER EXTENT, OVER THE WAY THE FRG IS RESPONDING TO AND HANDLING THE RAPIDLY MOVING EVENTS IN CENTRAL AND EASTERN EUROPE SURFACED AT SEVERAL MOMENTS AND POINTED TO TROUBLED TIMES AHEAD.

2. IT WAS NEVER GOING TO BE AN EASY MEETING FOR US AND THAT TOO RAN TRUE TO FORM. ON TWO (EMU AND THE SOCIAL CHARTER) OUT OF THE FOUR MAIN SUBJECTS WE HAD A DIFFICULT AND DEFENSIVE HAND TO PLAY WITH NO REAL PROSPECT OF AVOIDING BEING IN A MINORITY OF ONE, AT LEAST ON THE PROCEDURAL ASPECTS OF THOSE ISSUES THAT WERE BEFORE THE COUNCIL. BUT THE WAY IN WHICH YOU AND THE PRIME MINISTER HANDLED THAM, BOTH AT THE MEETING ITSELF AND IN THE PRESS INTER-VIEWS AFTERWARDS, DID MUCH TO DRAW THE STING FROM THEM. ON THE OTHER TWO ISSUES (SINGLE MARKET AND EASTERN EUROPE) WE DID WELL IN BRINGING THE SINGLE MARKET RIGHT BACK INTO THE CENTRE OF THE STAGE AND SETTING SHORT AND MEDIUM TERM OBJECTIVES PREPONDERANTLY CONSISTENT WITH OUR OWN PRIORITIES SEMI COLON AND EASTERN EUROPE CONTINUED TO BE AN AREA WHERE WE SET THE PACE AND WHERE THE COMMUNITY AS A WHOLE IS SHOWING REMARKABLE AND ALMOST UNPRECEDENTED UNITY AND SWIFTNESS OF RESPONSE TO EXTERNAL EVENTS DESPITE ALL THE UNDERLYING CONCERN OVER THE RE-EMERGENCE OF THE GERMAN PROBLEM.

3. ON ECONOMIC AND MONETARY UNION THE FRENCH ACHIEVED THEIR

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ONLY REAL OBJECTIVE, THE SETTING OF A DATE BEFORE THE END OF 1990 FOR THE OPENING OF AN INTER GOVERNMENTAL CONFERENCE. THIS WAS NOT ACHIEVED WITHOUT SOME PRELIMINARY ALARMS AND EXCURSIONS. BUT, WHEN THE GERMANS DID, SOME TWO DAYS BEFORE THE MEETING, EMERGE FROM THE MISTS OF THEIR UNCERTAINTY AND DIVIDED COUNSELS TO OPT FOR DELAY AND FURTHER PREPARATION, AN ENTIRELY CLASSICAL FRANCO-GERMAN POWER PLAY RESULTED IN THE USUAL OUTCOME SEMI COLON BY THE TIME KOHL REACHED STRASBOURG THE FRENCH HAD THEIR PROCEDURAL VICTORY SEWN UP. THE FRANCO-GERMAN TENSIONS OVER OSTPOLITIK AND THE DESPERATE GERMAN DESIRE NOT TO BE THOUGHT TO BE DRIFTING EASTWARDS AND AWAY FROM THE COMMUNITY PROVED MORE THAN A MATCH FOR ANY BURGEONING GERMAN FEELING OF THEIR ECONOMIC STRENGTH. AT THE RISK OF AN ACCUSATION OF SOUR GRAPES, I WOULD MERELY OBSERVE THAT THERE WAS NEVER ANY REALISTIC CHANCE AFTER MADRID OF OUR BEING ABLE TO DELAY THE CONVENING OF AN INTER-GOVERNMENTAL CONFERENCE BEYOND THE END OF 1990. FULL AND ADEQUATE PREPARATION COULD HARDLY HAVE BEEN STRETCHED BEYOND EIGHTEEN MONTHS GIVEN THE DESIRE OF MOST MEMBER STATES TO MAKE RAPID PROGRESS. ALL THE TENSION AND THE TOING AND FROING OF RECENT MONTHS WAS PROVOKED BY FRENCH DETERMINATION TO GET THE CREDIT FOR WHAT WAS GOING TO HAPPEN ANYWAY. THEY DID NOT GENUINELY ACCELERATE THE PROCESS SEMI COLON THEY SIMPLY MADE IT MORE CONTENTIOUS.

4. THE SOCIAL CHARTER WAS THE DOG THAT DID NOT BARK. OUR REFUSAL TO ACCEPT IT HAS ALSO HELPED TO ENSURE THAT IT CAN NOT BITE. THIS HAS BEEN ACHIEVED AT SOME COST TO OUR PUBLIC IMAGE AND OF MUCH UNJUSTIFIED CARICATURE OF OUR ATTITUDE TO THE SOCIAL DIMENSION. BUT THE INTEREST HERE IN TURNING THE KNIFE IN THE WOUND OF OUR ISOLATION WAS SLIGHT AND IT IS CLEAR THAT MOST GOVERNMENTS ARE EITHER BORED, ASHAMED OR APPREHENSIVE ABOUT THIS PARTICULAR BIT OF PAPER AND THE USES TO WHICH IT MIGHT BE PUT.

5. OUR DECISION TO WORK UP A SINGLE MARKET TRIUMPH FOR THE FRENCH PRESIDENCY SEEMS TO BE PAYING CONSIDERABLE DIVIDENDS. FAR FROM BEING THE CINDERELLA OF THIS PARTICULAR SIX MONTHS, THE SINGLE MARKET PROGRAMME IS FORGING AHEAD. A NUMBER OF WELCOME DECISIONS, ON VAT, ON ROAD AND AIR TRANSPORT AND ON TELE COMMUNICATIONS LIBERALISATION HAVE BEEN TAKEN AND MORE ARE IN PROSPECT AT THE DECEMBER INTERNAL MARKET COUNCIL. THE PROBLEM OF THE IMPLEMENTATION OF SINGLE MARKET LEGISLATION AND OUR OWN GOOD RECORD ARE BECOMING BETTER KNOWN AND APPRECIATED. THE PRESSURE ON THE LAGGARDS TO IMPROVE THEIR PERFORMANCE IS MOUNTING.

EVEN OUR ACCEPTANCE OF THE SOMEWHAT SPECIOUS SLOGAN OF 'ACCELERATION' IN FACE OF THE DEVELOPMENTS IN EASTERN EUROPE CAN EASILY BE HARNESSSED TO THE FURTHER PROGRESS ON THE SINGLE MARKET WHICH WE WANT AS TO THE PROCESS OF ECONOMIC AND MONETARY UNION WHICH CAUSES US SUCH DIFFICULTIES.

6. THERE WERE NO GREAT DECISIONS ON EASTERN EUROPE, ALTHOUGH THE FRENCH GOT THEIR WAY ON THEIR DEVELOPMENT BANK PROJECT. A FURTHER TRANCHE OF FOOD AID FOR POLAND WAS SETTLED SEMI COLON THE TRAINING FOUNDATION AND EXCHANGE PROGRAMMES FOR EASTERN EUROPE BLESSED SEMI COLON SUBSTANTIAL CONTRIBUTIONS BY THE MEMBER STATES TO A STABILISATION FUND FOR POLAND AND TO A BRIDGING OR AN ADJUSTMENT LOAN FOR HUNGARY WERE FORESHADOWED. THE BROAD PRINCIPLES OF THE PROCESS OF SUPPORT FOR POLITICAL AND ECONOMIC REFORM IN EASTERN EUROPE, FIRST IDENTIFIED AT THE ELYSEE DINNER ON 18 NOVEMBER, WERE SET DOWN ON PAPER SEMI COLON AND IT WAS MADE CLEAR THAT SIMILAR SUPPORT WOULD BE FORTHCOMING TO THOSE WHO FOLLOWED THE PATH WHICH POLAND AND HUNGARY FIRST TOOK.

7. THE BANQUO'S GHOST AT THIS PARTICULAR FEAST WAS THE HANDLING BY THE FRG OF THE RAPIDLY DISINTEGRATING SITUATION IN EAST GERMANY AND THE REACTION TO THAT HANDLING OF THE OTHER MEMBER STATES, ALMOST ALL OF WHOM ARE A PREY TO THEIR MEMORIES OF THE GERMAN PROBLEM IN ITS PREVIOUS MANIFESTATIONS. KOHL DID LITTLE TO REASSURE HIS PARTNERS EITHER AS TO HIS CLARITY OF THOUGHT OR AS TO HIS WILLINGNESS TO TAKE THEIR INTERESTS INTO ACCOUNT IN THE FORMULATION OF FRG POLICY. IT DOES NOT TAKE A CLAIRVOYANT TO PREDICT A BUMPY RIDE AHEAD.

8. THE PROSPECT OF A FAIRLY PASSIVE IRISH PRESIDENCY AHEAD MEANS THAT, ONCE THE USUAL PRE-CHRISTMAS RUSH IN THE COMMUNITY IS OVER, THERE SHOULD BE A BIT OF A PAUSE FOR BREATH. BUT IT WILL NOT BE LONG SEMI COLON AND WE ARE NOT SO WELL PLACED THAT WE CAN AFFORD SIMPLY TO LET EVENTS TAKE THEIR COURSE. THE SINGLE MARKET IS OF COURSE A CONSTANT SLOG SEMI COLON BUT OUR PRIORITIES ARE WELL PLACED ON THE STARTING GRID AND FURTHER SUCCESSES OUGHT TO FOLLOW. ATTENTION IN THE SOCIAL FIELD WILL SWITCH NOW TO THE ACTION PROGRAMME. WE WILL NEED TO ENCOURAGE THE COMMISSION AND THE IRISH PRESIDENCY TO BRING FORWARD ITS COMPONENT PARTS SEPARATELY AND THUS TO AVOID THE RECURRENCE OF THE SITUATION WHERE OUR UNAVOIDABLE RESISTANCE TO SOME OF ITS PARTS LEADS TO DEADLOCK OVER THE WHOLE. THERE WILL BE TEMPTATIONS TO SOME TO DO JUST WHAT WE DO NOT WANT. IT WILL HELP OUR CASE

IF WE CAN QUICKLY IDENTIFY THE PARTS OF THE PROGRAMME ON WHICH WE CAN TAKE A POSITIVE VIEW OR AT LEAST WHICH WE CAN TOLERATE AND SET ABOUT INFLUENCING THE COMMISSION'S THINKING AND PROPOSALS ON THEM. AS TO ECONOMIC AND MONETARY UNION THIS WILL TAKE UP AN INCREASING PART OF THE COMMUNITY'S TIME AND ENERGY. NO ONE DOUBTS THE SERIOUSNESS AND INDEED INTRACTABILITY OF THE PROBLEMS IT POSES SEMI COLON BUT SO LONG AS WE SEEM TO BE MORE ADEPT AT IDENTIFYING PROBLEMS THAN AT FINDING SOLUTIONS TO THEM, OUR INFLUENCE ON THE NEGOTIATING PROCESS WILL BE SLIGHT. IT WILL BE PARTICULARLY IMPORTANT TO CARRY FORWARD OUR THINKING ON THE EVOLUTIONARY APPROACH AND TO DEVELOP IT IN THOSE AREAS WHERE OUR CRITICS, OR AT LEAST OUR FRIENDLY CRITICS, HAVE POINTED UP WEAKNESSES AND DEFICIENCIES.

9. EASTERN EUROPE WILL BE WITH US, WEEK IN AND WEEK OUT, IN THE PERIOD AHEAD. THE COST OF SUPPORTING THE REFORM PROCESS WILL TOT UP, BUT I DO NOT SEE ANY OF OUR PARTNERS FLINCHING AS YET. THE NEED FOR IMAGINATIVE THINKING ON THE FORMS OF ASSOCIATION AND POLITICAL DIALOGUE BETWEEN THE COMMUNITY AND THE COUNTRIES OF EASTERN EUROPE IS ALREADY EVIDENT AND THE PAPER WE CIRCULATED JUST BEFORE THE EUROPEAN COUNCIL WENT DOWN WELL. WE ARE WELL PLACED TO KEEP TO THE FORE IN THIS AREA OF POLICY.

10. THE STRASBOURG EUROPEAN COUNCIL HAS CONFIRMED THAT THE SIGNIFICANCE OF THE COMMUNITY AS THE FOCUSS OF THE POLICY MAKING OF ITS MEMBER STATES IS STILL ON THE INCREASE. SO IS ITS ROLE IN THE POLICY MAKING OF OTHERS, FROM WASHINGTON TO MOSCOW. THERE ARE PLENTY OF CHALLENGES AND RISKS FOR US IN THAT.

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