

RESTRICTED

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MDADAN 4885

RESTRICTED (CORRECTED VERSION - ADDITIONAL PARA)
FM UKREP BRUSSELS
TO IMMEDIATE FCO
TELNO 1148
OF 241815Z APRIL 90
INFO PRIORITY WASHINGTON, UKDEL NATO, EUROPEAN COMMUNITY POSTS
INFO ROUTINE EAST EUROPEAN POSTS

FRAME GENERAL

CORRECTED VERSION

INFORMAL EUROPEAN COUNCIL: 28 APRIL 1990

1. THE HABIT OF HOLDING AN INFORMAL MEETING OF THE EUROPEAN COUNCIL A FEW WEEKS BEFORE THE FORMAL ONE IS CATCHING ON AND IT WILL BE HARD TO BREAK EVEN WHEN THE JUSTIFICATION FOR HAVING SUCH MEETINGS IS LESS EVIDENT THAN IT IS NOW (THE ITALIANS ARE ALREADY PLANNING ONE FOR OCTOBER/NOVEMBER). BUT THE FORMAT DOES HAVE ADVANTAGES IN ENABLING THE HEADS OF GOVERNMENT TO SET A CLEAR SENSE OF DIRECTION AND METHOD IN RESPECT OF SOME URGENT ISSUE OF MAJOR SIGNIFICANCE FOR THE COMMUNITY (LAST NOVEMBER IT WAS THE TURMOIL IN EASTERN EUROPE, THIS APRIL IT IS THE EC CONSEQUENCES OF GERMAN UNIFICATION). IT CONTAINS RISKS TOO IN THAT IT PROVIDES A PLATFORM FOR THE AIRING OF ISSUES ABOUT WHICH WE ARE LESS ENTHUSIASTIC (EMU AND INSTITUTIONAL REFORM). BUT THESE ISSUES ARE BOUND TO COME TO THE FORE ANYWAY AND THE BREVITY AND INFORMAL NATURE OF THE MEETING ON 28 APRIL SHOULD ENSURE THAT IT IS AS MUCH A PROLOGUE FOR THE JUNE EUROPEAN COUNCIL AS AN OCCASSION FOR TAKING ANY DECISIONS OF SUBSTANCE.

2. OF THE THREE SUBJECTS ORIGINALLY IDENTIFIED BY THE IRISH PRESIDENCY FOR DISCUSSION ON 28 APRIL, GERMAN UNIFICATION, RELATIONS WITH THE EMERGING DEMOCRACIES AND MARKET ECONOMIES OF EASTERN EUROPE AND CSCE, ONLY THE FIRST HAS ANY REAL POTENTIAL TO BE CONTROVIERSIAL AT THIS STAGE AND EVEN THE HANDLING OF GERMAN UNIFICATION SHOULD NOT PROVE PARTICULARLY CONTROVERSIAL ON THIS OCCASION GIVEN THE RATHER GENERAL AND PROCEDURAL WAY THE COMMISSION HAS CHOSEN IN ITS PAPER (AT OUR PROMPTING, AMONG OTHERS) TO PRESENT THIS MATTER. THE CLEAR CONSENSUS NOW EMERGING IN FAVOUR OF INCORPORATING EAST GERMANY IN THE COMMUNITY WITHOUT TREATY CHANGE IS WELCOME IN THAT IT AVOIDS A NUMBER OF DIFFICULT INSTITUTIONAL ISSUES (WEIGHTING OF VOTES IN THE COUNCIL, FOR EXAMPLE): IT IS THIS AVOIDANCE OF TREATY CHANGE THAT MOST SHARPLY DIFFERENTIATES THE EAST GERMAN CASE FROM A CLASSICAL

ACCESSION NEGOTIATION. THE REALLY THORNY ISSUES THAT WILL ARISE - AVOIDANCE OF UNFAIR TRADE DISTORTIONS, COMPETITION POLICY, TRANSITION TO THE CAP, APPLICATION OF THE STRUCTURAL FUNDS TO EAST GERMANY - ARE REFERRED TO IN THE COMMISSION PAPER BUT NO PRECISE SOLUTIONS ARE YET PUT FORWARD. SO IT SHOULD PROVE POSSIBLE TO REACH CONCLUSIONS WHICH, WHILE GIVING THE GERMANS THE SATISFACTION OF A GENERAL BLESSING FOR THE INCORPORATION OF EAST GERMANY IN THE COMMUNITY, ENSURE THAT THE DETAILED ISSUES ARE HANDLED IN A SYSTEMATIC AND TRANSPARENT WAY IN THE COUNCIL AND THAT THE ONUS FOR ASKING FOR TRANSITIONAL ARRANGEMENTS RESTS WHERE IT NEEDS TO, WITH THE GERMANS THEMSELVES. OUR OWN PREFERENCE FOR KEEPING TO THE MINIMUM THESE EXCEPTIONS TO THE GENERAL RULE THAT EC LAWS WILL APPLY ON UNIFICATION AND KEEPING ALL DEROGATIONS AS SHORT AS POSSIBLE, IS LIKELY TO BE WIDELY SHARED BY OTHER MEMBER STATES. THE DISCUSSION COULD ALSO PROVIDE A USEFUL OCCASION TO PRESS THE CASE FOR INTRODUCING SINGLE MARKET-FRIENDLY ECONOMIC LEGISLATION IN THE GDR AT THE EARLIEST POSSIBLE OPPORTUNITY, AND FOR AVOIDING THE EMERGENCE OF POTENTIAL NEW MONOPOLIES IN THE PLACE OF THE OLD.

3. THE COMMUNITY'S RELATIONS WITH THE OTHER COUNTRIES OF EASTERN EUROPE, THE OBJECT OF THE SECOND COMMISSION PAPER CIRCULATED FOR THE MEETING, SHOULD BE EVEN MORE STRAIGHTFORWARD. THE IDEA OF INDIVIDUALLY DIFFERENTIATED ASSOCIATION AGREEMENTS, CONDITIONAL UPON PROGRESS TOWARDS PLURALIST DEMOCRATIC STRUCTURES AND MARKET ECONOMIES, WHICH YOU AND THE PRIME MINISTER PROMOTED IN THE RUN-UP TO AND AT THE STRASBOURG EUROPEAN COUNCIL, IS NOW THE TUNE TO WHICH THE COMMUNITY AS A WHOLE IS SINGING. WHILE SOME ASPECTS OF THE COMMISSION APPROACH (EXPORT CREDIT POLICY, FOR EXAMPLE) ARE NOT TO OUR TASTE, THE DETAILS CAN BE LEFT TO BE THRASHED OUT WHEN THE INDIVIDUAL NEGOTIATING MANDATES COME FORWARD TO THE COUNCIL FOR APPROVAL (UNANIMITY REQUIRED). THE PROSPECT OF EVENTUAL ACCESSIONS MAY BE RAISED (THE DANES MAY JUST POSSIBLY DO THAT ALSO IN CONNECTION WITH THE EFTA COUNTRIES IN GENERAL, THE ITALIANS/GERMANS IN RESPECT OF AUSTRIA). BUT THERE IS NO SERIOUS CHALLENGE TO THE IDEA OF A MORATORIUM ON ENLARGEMENT UP TO 1993, NOR TO OUR OWN VIEW THAT THE FUTURE PROSPECTS FOR ENLARGEMENT AFTER THAT MUST NOT BE PRE-JUDGED ONE WAY OR THE OTHER.

4. THE CSCE ITEM IS MORE LIKELY TO BE SEEN AS A PEG ON WHICH TO HANG A DISCUSSION OF THE SECURITY ARRANGEMENTS WHICH WILL BE NEEDED IN THE LIGHT OF GERMAN UNIFICATION AND THE DECAY OF THE WARSAW PACT THAN AS A SERIOUS ATTEMPT TO ADDRESS THE CSCE SUMMIT MEETING WHOSE PRINCIPLE IS NOT IN DOUBT BUT THE PREPARATION FOR WHICH WAS HARDLY BEGUN.

5. I DOUBT IF THE MEETING WILL PASS WITHOUT SOME REFERENCES TO EMU. BUT I DO NOT ENVISAGE A SHOW-DOWN. THE IDEA OF ADVANCING THE OPENING OF THE IGC FROM DECEMBER, IF NOT YET COMPLETELY DEAD, LOOKS MORIBUND, GIVEN FIRM GERMAN OPPOSITION. THAT OF FIXING A MID OR END-1991 TARGET DATE FOR THE IGC'S COMPLETION PROBABLY HAS MORE RUNNING IN IT ALTHOUGH THE CRUCIAL GERMAN VIEW REMAINS OPPOSED, AND THE KOHL/MITTERRAND MESSAGE IS THEREFORE SILENT ON THE SUBJECT. PREPARATION OF THE SUBSTANTIVE ISSUES THAT WILL ARISE IN THE EMU IGC IS NOW IN FULL SWING IN THE MONETARY COMMITTEE AND ECOFIN AND NO-ONE IS LIKELY TO SEE MUCH ADVANTAGE IN RAISING THEM IN DUBLIN.

6. BUT THE KOHL/MITTERRAND MESSAGE MAKES IT CERTAIN THAT THERE WILL BE DISCUSSION OF INSTITUTIONAL REFORM AND TREATY CHANGES GOING BEYOND THE REQUIREMENTS OF EMU. A LOT OF MEMBER STATES ARE IN FAVOUR OF SOMETHING IN THIS AREA WITHOUT QUITE KNOWING WHAT. BENEATH THE SURFACE AGREEMENT DISPLAYED IN THEIR MESSAGE, FRENCH AND GERMAN VIEWS ARE POLES APART. THE BELGIANS HAVE CIRCULATED A CURATE'S EGG OF A PAPER, MIXING SOME SENSIBLE AND MODEST IDEAS FOR IMPROVING POLITICAL COOPERATION AND SOME INTERESTING THINKING ON SUBSIDIARITY WITH A LOT OF UNACCEPTABLE SUGGESTIONS FOR GIVING MORE POWER TO THE EUROPEAN PARLIAMENT. THOUGH THE COMMUNITY'S 1990 AGENDA IS HEAVY ENOUGH ALREADY (SINGLE MARKET, EMU PREPARATION, GERMAN UNIFICATION, EASTERN EUROPE, EFTA NEGOTIATIONS, GATT URUGUAY ROUND), THE DISCUSSION AMONG FOREIGN MINISTERS ON 21 APRIL DEMONSTRATED THAT OUR PARTNERS WILL NOT REGARD THIS AS SUFFICIENT REASON FOR SHELIVING THE DOSSIER. BUT A SENSIBLE REMIT TO THE GENERAL AFFAIRS COUNCIL - NOT AN AD HOC COMMITTEE OF PERSONAL REPRESENTATIVES - SHOULD BE ATTAINABLE: AND IT IS GOOD THAT WE ARE IN A POSITION TO INDICATE THAT WE SHALL HAVE OUR OWN POSITIVE PROPOSALS TO FEED IN.

7. FINALLY THE DUBLIN MEETING SEEMS SURE TO HEAR ABOUT THE SITING OF COMMUNITY INSTITUTIONS. RECENT SKIRMISHING BETWEEN STRASBOURG AND BRUSSELS FOR THE SITE OF THE PARLIAMENT (IN WHICH THE EDG HAVE PLAYED AN UNCOMFORTABLY PROMINENT ROLE ON BEHALF OF BRUSSELS) HAVE LED TO A VICTORY ON POINTS FOR STRASBOURG. BUT THE VICTORY WAS NARROW AND THE FRENCH REMAIN INTENSELY SENSITIVE AND DEFENSIVE. THEY ARE LIKELY TO SEEK SOME REPETITION OF THE MAASTRICHT EUROPEAN COUNCIL STATEMENT IN FAVOUR OF THE STATUS QUO. THAT COULD BE HELPFUL TO OUR AIM OF GETTING THE RIGHT DECISION ON THE SITE OF THE EBRD.

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