

PRIME MINISTER

EUROPEAN COUNCIL IN DUBLIN

I attach the briefs for the European Council in Dublin.

It is generally billed as likely to be a non-contentious occasion. That is the Taoiseach's aim: and we want to project an image of harmony and unity ahead of the NATO Summit and the Economic Summit. But you will not want to let any unsatisfactory points slip by to achieve harmony for its own sake. That will apply particularly on political union, EMU, EC consequences of German unification and assistance to the Soviet Union. This may make it a slightly less harmonious occasion than the FCO predict.

On the positive side, we want to use the Council to give a strong launch to our ideas on economic and monetary co-operation. Drugs are a subject on which you will have some proposals to make. We also stand well on the environment. There will be a lot of press interest in South Africa and whether we are to persuade the others to start the process of easing sanctions. You are likely to find that Kohl will want to make the Council a "German" meeting (yet again), recounting at length the glories of unification and trying to launch an ill-considered initiative on financial assistance for the Soviet Union. (Incidentally there was a very good leader in today's Times on this, which I attach.)

He will probably get support from the French. You will want to avoid any commitments, but at the same time handle the issue so that it does not appear to the Soviet Union that we are the sole obstacle to assistance for them.

Taking the main issues in order:

- Political Union The Foreign Ministers paper is rather less satisfactory than the FCO assess, although it is little more than an annotated agenda at this stage. You may want to pick out three or four points from it which you regard as

particularly unwelcome - your marked-up copy of the text is in the folder. I wouldn't major on your aim of cutting back the Commission. You might point out that it really doesn't do the Community any credit to talk of a common foreign and security policy, when we all know that in practice nothing of the sort is likely for the foreseeable future. You will be asked to agree to the opening of an IGC on political union in December.

- EMU You will want to explain our proposals, but it is probably best to avoid a major attack on Delors Stage III. Everyone knows your views on that: there is nothing to be decided in Dublin: and it will only take the glitter off our proposals. We want to get the best possible reception for them at the Council and have that reflected in the media. Once again you will be asked to agree to an IGC in December. You will want to stress that preparatory work should continue to be centred in ECOFIN, not with Foreign Ministers as some other governments want.
- Single Market The main purpose here will be to get on record our priorities for the Italian Presidency (which do not match Italian priorities). They are financial services, insurance, transport liberalisation, animal and plant health and public procurement.
- Environment The Irish have come up with a hot air declaration which will contribute enormously to global warming (!) but not have much other effect. The text is still being worked on by officials and we shall probably not know until Monday whether all the glitches have been removed.
- Drugs We have two good proposals to make here. We have already put forward the suggestion of a European Drugs Intelligence Unit, to co-ordinate use of intelligence on drugs and closer co-operation in dealing with them. We want final decisions reached on this no later than the June

European Council next year. We also want to propose convening a Pompidou Group Conference with the East Europeans, to extend co-operation in that direction. ✓

- German Unification Chancellor Kohl will want to give a long and boring account of progress with German unification and will probably do so over lunch, which will also be attended by the East German Prime Minister. (N.B. He is coming to see you in London on Wednesday.) The Commission are speeding up production of their proposals for the various transitional derogations for GDR territory which will be needed and will put proposals to the Council in September. You will want to satisfy yourself that the position on financial help remains unchanged: that is, West Germany pays. You will also want to stress the need for short transitional arrangements.
(Sound Proof or Refused Proof)
M. H. Quaker
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- GATT We do not particularly want to open this up, because it will only give an opportunity for the protectionists in the Community to constrain the Commission's negotiating hand. But you will probably want to work in somewhere a strong statement on the need to make progress on agriculture.
- Assistance to the Soviet Union You are very familiar with the main elements of our position. We think it is up to the Germans to take the main burden. We don't see a need for greatly expanded credit. Anyway it is not really what the Russians need. We are prepared to think in terms of a Know-How programme of technical help. Any financial assistance must be based on conditionality. Before anything further is done, we need a proper study and we want the EBRD to take the lead in this, bringing in the IMF and World Bank as well.
- South Africa This will probably come up over dinner. You might pursue the idea, which you put to the Foreign Secretary, of a statement which leaves it up to each Member

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State to decide what national action to take in order to encourage the South African Government to continue their reforms (i.e. each government decides which sanctions to ease and when).

- Middle East There is apparently quite a strong head of steam building up for a strong statement on the Middle East. While this might make people feel good, it will not achieve anything practical: and we shall have to avoid complicating the Americans' already difficult position.
- Social Action Programme This is not on the agenda, but you will want to find an opportunity to lampoon the Commission's ludicrous proposals on night and part-time working.
- Additional European Council You will want to deflate Italian attempts to call an additional European Council in October. Having succeeded in getting the number of Councils down to two, it would be barmy now to put them up to four.
- Reappointment of Delors I am checking with Teltschik whether there is any inclination on the part of the Germans to put forward Bangemann in place of Delors. Failing that, we agreed there was something to be said for your taking the initiative in getting Delors reappointed.
- Site of EC Institutions There is nothing in this item for us and I doubt whether you really need intervene at all.

We have no specific requests for bilaterals and anyway there is hardly time. But you will want to seek out Ruud Lubbers. It would also be helpful presentationally if you were to have at least a brief word outside the main meeting with Chancellor Kohl and with Signor Andreotti.

C.D.P.
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BAILING OUT MR GORBACHEV

Should the West give the Soviet Union the tens of billions of dollars of aid which could avert an impending economic disaster and thus help secure President Gorbachev in office? At the Houston summit later this month, the seven richest Western nations will ponder this question and preliminary talks have suggested they will reach no unanimous agreement. Their response could fundamentally affect the course of East-West relations. The French president and West German chancellor, who are in favour of aid, are seeking to make caution or resistance seem mean-minded and diplomatically out of the question.

They are talking nonsense, disguised as good intentions. The momentum of the "aid package" lobby must be checked. West Germany is the pivot. Chancellor Helmut Kohl tightened the schedule for German reunification this week by committing himself to all-German elections, and the completion of political reunification, by this December. To sustain such a timetable, the West Germans need to persuade the Soviets not to hold up reunification. There may be a case for some assistance from West Germany to the Soviet Union to compensate for the economic cost to their troop garrisons of monetary reunification at the beginning of next month. But the Kohl-Mitterrand suggestion goes a great deal further, aiming clearly at government-to-government aid on a huge scale.

There is no point in hurling the hard-earned cash of Western taxpayers at the Soviet Union. A rescue fund of this sort can have only two purposes, to "save" Mr Gorbachev and to prevent the imminent collapse of the Soviet economy. Yet the past few weeks have seen proliferating declarations of independence, unilateral preparations for economic survival in particular regions, the growing paralysis of the system for exchange and distribution of goods, and the disintegration of communist authority in Russia.

Against this background, the Gorbachev-savers have to prove that Mr Gorbachev is worth preserving. The dissolution of the planned economies teaches that economic reform goes nowhere without political

liberalisation. Money cannot buy political freedom in the Soviet Union. Fresh funds for those now in power may retard, or even reverse, the relaxation towards pluralism. Better than a thousand diplomats are the hordes of foreign businessmen gathered on the fringes of the Soviet economy. They, and not the treasuries of the industrialised West, are the best judge of when to invest in Russia. They have not yet seen the political signals they need.

President Gorbachev apparently believes in gradual progress towards a more benign socialism with a greater role for markets and a loosening of the bonds of the Union towards a commonwealth. As long as he proceeds by gradualism he deserves no support, for he is deluding himself and his people. Much of his talk of planned markets, as a cynic has observed, is no more realistic than "fried ice". His gradualism grossly understates the magnitude of the changes required if the Soviet Union is to climb out of the trough.

Bolder steps need no public sector capital. The Soviet Union has been sated with that for decades. It does not even need know-how of the kind being channelled into East European countries such as Poland. Advice and expertise can be given by institutions such as the World Bank and the International Monetary Fund. But what value is advice without the will to accept it? Mr Gorbachev's Soviet Union is still far from being ready to adopt anything remotely like capitalism.

If the economy degenerates into famine, a different form of charity may be appropriate. Western nations could help in whatever form is most effective where they control the inputs directly. Should this come to pass, the West may be told that help was withheld when it mattered most and that the capitalist nations share the blame for the suffering. But the mess of the Soviet economy is the responsibility of the rulers of the Soviet Union and the remedies lie in their hands. Contemporary Eastern Europe shows just how fast economic liberalisation can be achieved where there is a political will. That is what is needed, not massive grants of aid.