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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

7 November 1991

Sean Richard

**EUROPEAN COMMUNITY: PRIME MINISTER'S MEETING
WITH MR. LUBBERS**

The Prime Minister held a meeting this morning with Prime Minister Lubbers of The Netherlands. The Foreign Secretary and Mr. van den Broek were present. I have recorded separately their discussion on GATT. The rest of the conversation was devoted entirely to the European Community.

CFSP

Mr. Lubbers was very worried that the failure to reach agreement in WEU on a statement about WEU's role would cause problems at Maastricht. Some were refusing to agree a declaration, wanting to leave everything to Maastricht, others were refusing to reach agreement at Maastricht unless there was a declaration. The Foreign Secretary said that he had suggested a way through, which Genscher appeared to have accepted, namely that provisional agreement should be reached on a WEU declaration with nothing to be set in concrete until after Maastricht. Mr. van den Broek said he thought this was the right approach and was the one he would adopt at the conclave. There were a number of models of the relationship between WEU, NATO and the European Union and the heads of government could choose the particular model they wanted. The Foreign Secretary agreed. What we could not have were political texts agreed on the WEU/EPU relationship without knowing the WEU/NATO relationship. The core of the French position was to reserve everything to Maastricht but that would make it more difficult to reach agreement there. Mr. van den Broek commented that it was also the Germans, as President of the WEU, who were blocking things.

The Prime Minister said that he would be happy to see the WEU strengthened but we could not agree to it being equi-distant between NATO on the one hand and political union on the other. WEU had got to be predominantly in the NATO column within the NATO area. Out of area was different. Mr. Lubbers agreed. EPU was a much broader concept and its role on defence much more limited. The Prime Minister said that he was worried that we might reach an agreement in respect of the WEU which was not then compatible with the kind of agreement we were prepared to see at Maastricht. We needed to see language and how that would impinge on Maastricht. Mr. Lubbers said that this was an issue which had proved too difficult for special representatives. It would go to

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the conclave but even that might not help. What text would we have for Maastricht? The Luxembourg text, the Kohl/Mitterrand text or the Dutch text? Mr. van den Broek said that, as regards the NATO meeting, he had warned his people not to be too ambitious. The Prime Minister agreed. A row here would guarantee a row at Maastricht which was not what we wanted.

EMU/EPU

The Prime Minister said there were still big political problems about the negotiations. We would have a two-day debate later in the month for which we would put down a substantive motion and get a clear view from Parliament. We did not see huge problems with the Dutch text on EMU. The Prime Minister knew that the Germans were objecting to the provision allowing for a general no imposition clause. When he saw Kohl on Sunday he would attempt to persuade him that a UK specific clause would maximise our political difficulties. He would try to persuade Kohl not to press the issue. He did not know how much of the opposition was Kohl's and how much that of his officials. Mr Lubbers said that the Italians and the French were taking the same line as the Germans. Lubbers had argued that the clause as drafted was necessary for Britain but he had not been able to persuade those countries. They wanted a clear calendar as an incentive to action, just as 1992 had been the incentive for completion of the Single Market. The Prime Minister said we should review where we had got to in 1996/97 and make a decision then. The best way to maximise the prospect that the British Parliament would say no to a single currency was to single us out now. The political fall-out of such a move could be very great. It would give great political leverage to those in Britain who would want us to say no to a single currency.

As regards EPU there was hardly anything in the text we actively liked. It was a question of damage limitation. We were being asked to move too far too fast. Some sacrifices we could make but some things were fundamental. The Prime Minister could not get through Parliament any concept of the Community having competence over the WEU or any notion of duplicated structures.

The Prime Minister said that we had made huge advances inter-governmentally in the development of a Common Foreign Policy. We had looked very carefully at the proposals for QMV for operational matters and did not see how those areas could be defined.

The Prime Minister said there were some areas where we could agree to extensions of competence but we did not like what was proposed because of the extra expenditure implied. Ripa di Meana's recent behaviour had not helped.

The Prime Minister said that the idea of Europol and enhanced cooperation against crime, drug trafficking and terrorism, were attractive ones. We could go a long way, but inter-governmentally. It might be that when arrangements were up and running and had been tried and tested, people would conclude that there was no controversy over moving some interior/justice areas within Community competence. But that was certainly not

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the case now. Mr van den Broek said that Chancellor Kohl was the only one who was pressing on the competence point. Mr Lubbers commented that the German text in this area gave scope for decisions by majority vote. There was an obvious link between that text and the text on foreign policy. He understood our difficulties were primarily with Article 8a of the Treaty. The Prime Minister described our difficulties over Article 8a. The concept that we would lift our controls after 1992 because of the threat of a challenge of the European Court was fanciful. It was noteworthy that immigration and asylum issues were assuming a higher profile across the Community. Mr Lubbers commented that Community competence was essential for Chancellor Kohl to get round the problem of Germany's constitution. Mr. Lubbers wondered whether Kohl might accept something on an intergovernmental basis as long as it was written into the EPU treaty. The Foreign Secretary said we were prepared to go quite a long way down that route.

Procedure

Mr. Lubbers said that he was aiming at Maastricht for a text with a minimum number of square brackets. A working document would be produced in French by Friday evening and in other Community languages on Monday. He envisaged that the issue of opting out would have to go to Maastricht.

The Prime Minister said a lot of issues would have to go to Maastricht. Some of them were so fundamental that we would not be able to move. He could not accept things that he could not put through Parliament or that would lead to the demise of the Government.

Mr. Lubbers accepted that there were some things that were impossible and that no Government could move on. There were others that were very difficult, and where we would keep our cards close to our chest but, which were ultimately negotiable. If there were three or four such issues left over from Maastricht then it could be difficult for Britain to move and reach an agreement. Britain could become isolated on too many issues. That was why he hoped that a number of issues could be resolved before Maastricht. The Prime Minister agreed that that was tactically right. There were two ways of handling that situation. One was for those issues on which Britain could not agree not to be pressed on us. He would give Mr. Lubbers a clearer idea of our bottom line on 22 November. He did not want to go to Maastricht to say 'no' but he could not indicate now that he would necessarily be able to say 'yes' He saw a danger that while Britain and the Netherlands and some other partners might reach agreement in advance, some other Member States could open up the whole argument rather as Belgium had done at the Luxembourg European Council. He hoped other Member States would see that there was a prospect of making a real advance. It would be better if they protected those gains and did not push too far. Mr. Lubbers said that the problem was that a number of countries including the Netherlands felt they had already given in on parts of the structure. The Prime Minister said that depended on your starting point. A few months ago, EMU had been the big issue with EPU being regarded as a few institutional changes. But the

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EPU text was earth-shattering. Not every difficulty was insuperable, as yesterday's agreement on the Pregnancy Directive had shown. But there was a difference between difficult areas where movement was possible and those areas where we could not move even if we might want to do so.

I am copying this letter to the Private Secretaries to members of OPD(E) and Sonia Phippard (Cabinet Office).

Jans.
Stephen

J. S. WALL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

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