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LONDON SW1A 2AA

10 November 1992

*From the Private Secretary*

SUBJECT  
MASTER

Filed on:

*Dear Richard,*

CALL BY PRIME MINISTER LUBBERS: 10 NOVEMBER

Thank you for your letter of 9 November with briefing for Prime Minister Lubbers' call on the Prime Minister which took place this morning. The Foreign Secretary and Sir Michael Jenkins were present.

Mr Lubbers was about to go off to make a speech entitled "The European Community Looking East". Better that than "The European Community Going West", commented the Prime Minister.

Mr Lubbers asked about our plans for Edinburgh. The Prime Minister said that ratification would be high on the agenda. The Danes had set some pretty tough hurdles to cross. Legal enforceability would be difficult and he was not sure where the room for movement might be. Given that the proposals were basically the work of the Danish Opposition parties he doubted if the Danish Government would have much freedom. The Germans, British and Dutch would probably be prepared to compromise. He was not sure about the French, particularly on defence. We would want to avoid further ratifications or reopening the existing round of ratifications. It was not clear how we got round the issue of legally binding solutions.

The Prime Minister then went on to discuss last week's debate in the House of Commons. A number of issues had contributed to the Government's difficulties, including the recession, the Danish referendum and the French referendum. There was no weakening of the Government's determination to ratify the Maastricht Treaty but time was needed and we needed remarks like those of M. Mitterrand and Mr Bangemann like a hole in the head.

Mr Lubbers said that he had seen Rasmussen the previous day. A change in the Treaty was impossible so we must work on the basis of accommodating unilateral declarations by Denmark. They already had an exception on EMU. Home affairs was inter-

governmental rather than under the Treaty of Rome. The same was true on defence: we might not like what the Danes were proposing but it was not specifically against the Treaty, more a question of political attitude. European citizenship was mostly symbolic. The Netherlands could accept declarations by Denmark but not measures binding on the Dutch Parliament.

The Prime Minister said the one problem was that there was a history of declarations which had then run into problems with the ECJ. He agreed that citizenship was more a matter of appearance than substance and that declaratory language, e.g. the sort of language agreed at Birmingham, might do the trick. On EMU, he could see no legal objection to Denmark using her Protocol to opt out, though she might want to change the form to follow precisely that of the British Protocol. On common defence there was perhaps a distinction between the framing of a common defence policy and participation in common defence. That might allow a way through for now given that a common defence was some way down the track. Mr Lubbers assented.

The Prime Minister said that on the interior/justice pillar we were sympathetic but the Danish position was safeguarded by the existing Treaty. There ought to be a way through. He was not sure we could navigate a way through all the Danish rocks, not least because many of them were more matters of emotion and instinct, and fear of what might be, than of logic and judgement. Two things would help. One was clear progress on enlargement for the Nordics. He realised it would be quite difficult for some colleagues to break the link with ratification but he hoped the European Council at Edinburgh might sanction informal negotiations with the intention of formalising them once ratification had taken place.

The Prime Minister said that the second issue which would help was subsidiarity where Delors and others were already working hard. What came out of Edinburgh would be critical. There was great scepticism in the British Parliament about subsidiarity. They saw it as a fish thrown to us to nibble, not as a sea change. We needed the Commission to take the lead and we needed some substantive decisions at Edinburgh. If not, the antis' fears would be confirmed.

The Prime Minister said that future financing would be the other big area of negotiation at Edinburgh. Even the revised Commission proposals were recommending a much greater real-terms increase than would be undertaken by any individual government. The proposals amounted to 4 per cent real growth a year throughout the seven year period. This was infinitely greater than any anticipated growth in the European economies. For most people the Prime Minister thought that a seven year agreement would probably be acceptable and that it would not be very difficult to reach agreement on no increase in the first two years. Thereafter, it would all be pain and misery in terms of the size of the package, the objections some of us

would have to that on the one hand and the ambitions of the cohesion countries on the other.

Mr Lubbers said that he felt the same. M. Delors was, however, arguing that the south had to be accommodated if they in turn were to accommodate the Danes. He thought, however, that even the French would gib at the kind of increases being proposed. The Prime Minister said that the Presidency would have to put forward compromise packages. The common sense way through would be to defer the issue. He doubted whether this was deliverable, though he did not rule it out. The Dutch and British had been the only two at Lisbon to argue that there might be headroom in the agricultural guideline. We still believed that there was advantage in cutting back on agricultural expenditure in order to fund the cohesion package. That was logical but would be hard to deliver. Germany would be for some restraint but he was not convinced as to what their position would be at the last. France should be on our side. Italy too might be in favour of constraint given that their fiscal position was the worst in Europe. But he could not see any of the others standing firm. Mr Lubbers commented that there was a theoretical possibility of doing nothing and extending the existing arrangements for one more year. Cohesion commitments might make that a difficult proposition.

#### Sites

The Prime Minister asked Mr Lubbers to name his priorities. He did not know how hard The Netherlands was fighting for the Central Bank.

Mr Lubbers said that originally there had been an informal agreement that The Netherlands would get the Community Trade Marks Office (CTMO). Then Delors had persuaded him that it should go to Spain and he had agreed to that. He had expected to get either the ECB or the CTMO. Just before Maastricht a consensus had built up in favour of Amsterdam for the ECB. That had depended on the arrangements made for the European Parliament on which Martens had been unable to deliver. Kohl had been secretly pleased about that because it had let him off the hook of having to agree to Amsterdam. Overall the government and parliament in The Netherlands felt cheated by the rest of the Community. The EBRD played a role in this but it was not something he was complaining about. Before the Lisbon European Council Cavaco Silva had come to him saying that he had talked to Delors and to Kohl and that the only real solution was to site the ECB in Bonn. He had offered The Netherlands Europol instead. Mr Lubbers had replied that the ECB was the priority but if all the others accepted Bonn he would not block it. At Lisbon the United Kingdom and the Belgians, who needed more time, had not been able to agree to that.

Mr Lubbers said the Dutch priorities were:

- i. The ECB.
- ii. CTMO.
- iii. Europol.

They wanted the Bank which would be good for them and best for Europe as a whole. It would be psychologically wrong to place it in Germany. All the other member states knew that although they went along with the idea of Germany.

The Prime Minister said he had not heard the package until he got to Lisbon and was not prepared to be bounced. He had now asked Sir Rodric Braithwaite to go round capitals to try to reach a concordat on sites. The problem was that what some said in private was not what they said at meetings with other colleagues. There was unease about siting the ECB in Bonn but that had not been raised in Lisbon or at other meetings. The Prime Minister did not see a way through. The issue was very difficult for Kohl who was under criticism at home. He did, however, have another iron in the fire as well which was MEPs where the French were saying that they must have an equivalent number. We were more relaxed than the French on that issue.

The Prime Minister asked whether Mr Lubbers would maintain his claim on Amsterdam at the Edinburgh European Council. Mr Lubbers said that Amsterdam remained the first choice for The Netherlands. If Chancellor Kohl said that it was impossible for him he was prepared to allow the ECB to go to Bonn. He would, however, veto Frankfurt. Either it was Bonn, or Germany did not get the Central Bank. As regards the CTMO and Europol both would fit well with Dutch interests. But The Netherlands would veto any package that did not give one of these institutions to The Netherlands. He repeated that The Netherlands felt cheated by what had been going on. As regards the ECB in Frankfurt it must be possible to explain to Chancellor Kohl that no-one in the Community wanted that. The French agreed on that line.

The Prime Minister pointed out that in Lisbon Chancellor Kohl had said that it was for the host country to decide what city to put the ECB in. Mr Lubbers said that Kohl had had to take that line in semi public but Delors had assured him that Kohl had privately accepted that Bonn would be the site.

#### GATT

The Prime Minister outlined his recent discussions with M. Delors and Mr Andriessen and others and the case for a GATT agreement. The Foreign Secretary described the discussion in yesterday's Foreign Affairs Council. The Prime Minister said that he had no doubt that the Americans wanted a deal now. Mr

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Lubbers said he hoped this was the case. A substantial part of the problem lay in our own ranks with Delors. However, in all the time when he had been dealing with the issue in the Presidency, he had had the impression that Madigan was motivated to block a deal. Carla Hills on the other hand wanted a deal. By the time he (Lubbers) had got in touch with Jim Baker it was too late. He had offered to go to the United States but Bush had sent Madigan instead. He had had two whole days of discussion. Bush and Baker clearly had faith in Madigan but Lubbers had been left with the feeling that Madigan was against. He was part of the problem.

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

*June,*  
*J. S. Wall*

J. S. WALL

Richard Gozney Esq  
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