



Foreign and Commonwealth Office

London SW1A 2AH

25 October 1990

Dear Charles,

European Council

Thank you for sending us Signor Andreotti's letter to the Prime Minister. I enclose a translation.

As expected, it highlights the two Inter-Governmental Conferences and the Soviet Union as the main focus for discussion at Rome. The Foreign Secretary will be commenting on Signor Andreotti's proposals.

As you will see, Andreotti does not propose to discuss the GATT. This is a significant omission. The Prime Minister said to President Cossiga yesterday that there might need to be a full discussion of this in Rome.

The Foreign Secretary thinks it would be useful for the Prime Minister to reply to Andreotti in advance of the European Council, to make this point. This might be copied to other Heads of Government, and would reinforce the Prime Minister's case for a discussion on Saturday.

If the Prime Minister agrees, the letter should issue as soon as possible. We can arrange for it to be delivered to other Heads of State and Government urgently.

I enclose a draft to Signor Andreotti.

Yours,

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

*All sent by
Dusseldorf, C. ...
Foreign Ministers should be
able to continue their work
by European Council.
Progress in preparatory work
sent to the President*

SN 284/2/90
(ORIG. 1)

Rome, 24 October 1990

Letter from the President of the Council to his colleagues

Dear friend and colleague,

It will be my great pleasure to welcome you to Rome on 27 and 28 October at a time when a number of events, within and outside the Community, demand our special attention.

In view of the limited amount of time available, I feel our discussions should focus on three issues of particular importance: firstly, the Community's long-term future, and hence the preparations for the two Intergovernmental Conferences on Economic and Monetary Union and on Political Union, which open in Rome in December; the forthcoming international gatherings in which the Community will be involved, such as the CSCE Summit in Paris, the conclusion of the transatlantic declarations, relations with the Soviet Union and the East European countries; finally, immediate events and in particular the Gulf crisis and its political and economic repercussions.

On the question of Economic and Monetary Union, work appears already to be far advanced. It is clear from the report by the ECOFIN Council President and from the findings of the Council meeting on General Affairs on 22 October, which are the subject of the attached letter from Mr De Michelis, that the preparatory work may be regarded as substantially complete. We shall therefore be able to conduct a useful discussion on these topics, arriving at conclusions which will provide valuable pointers for the future negotiations within the Intergovernmental Conference.

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With regard to Political Union, we have the Foreign Ministers' report and the Presidency's introduction thereto, contained in the letter from Mr De Michelis, as well as the Commission's opinion, all of which are annexed to this communication and deserving of our closest attention. I believe it would greatly benefit proceedings if we were to hold a constructive exchange of opinion on the major options open to us.

In this connection we will be able to confirm our commitment to the Community's gradual progress towards European Union, having due regard to the principle of subsidiarity and to national identities. This process presupposes that the European Parliament's legislative and monitoring powers are such as to ensure the democratic legitimacy of the Union and that the institutions can be made to operate more effectively. Lastly, developments on the international scene oblige us to increase the effectiveness and cohesion of Community action internationally, and to achieve a common foreign and security policy.

As regards the organization of the forthcoming Intergovernmental Conferences, I believe that we can swiftly reach agreement on some arrangements which will enable work to proceed with all possible speed and efficiency. I refer you to the suggestions put forward by the Ministers for Foreign Affairs.

Turning to the other items on the agenda: President DELORS will report on the mandate given him in Dublin to explore, in consultation with the government of the Soviet Union, ways of providing short and long-term support for the process of reform under way in the Soviet Union as it moves towards a market economy. This will, of course, be only an initial discussion, but I consider it important that we signal our readiness to make a substantial, concrete contribution to this process in ways which could be defined in December, on the basis of proposals which the Commission will submit to us.

On the basis of the attached paper which the Commission forwarded to the Presidency, we shall also discuss our relations with the East European countries

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and the Community's contribution to the G-24's assistance to them. We shall have to confirm our backing for the political and economic reforms in these countries, at a time when world economic conditions are compounding their difficulties.

Regarding the definition of the future conditions for stability and co-operation within the CSCE, we shall be able to confirm our agreement on the position to be adopted for the Summit in Paris in November and on the part the Community should play in them.

We shall also examine the joint declarations that we hope to sign with the United States and Canada on our mutual relations, the terms of which - as regards the European position - have been defined by the Ministers for Foreign Affairs.

I propose that we open the proceedings for our Rome meeting at 18.30 on Saturday 27 October, with the statement by the President of the European Parliament. After this, we shall tackle the preparatory work for the two Conferences and relations with the Soviet Union and the East European countries.

During dinner, which will take place rather late, and in the course of the evening, we shall discuss current international problems, in particular the Gulf, while the Foreign Ministers finalize the texts on transatlantic relations and the CSCE. We will also be able to have a brief discussion on the subject of the seats of the Community institutions, a matter which the Dublin European Council in June entrusted the Presidency to resolve.

The meeting on Sunday morning, 28 October, starting at 09.00, will be given over as usual to finalizing the conclusions of the European Council.

Looking forward to seeing you soon, I take this opportunity to send you my cordial regards.

(s.) Gianni De Michelis

SN 4315/1/90 (24.10)
(ORIG. 1)

Rome, 23 October 1990

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Mr President,

At the meeting on 22 October the General Affairs Council examined and adopted the report from Senator Carli, the President of the ECOFIN Council, on the outcome of the discussions of the Ministers for Economy and Finance, which I attach for submission to the European Council on 27 and 28 October.

At the same meeting the Ministers for Foreign Affairs approved the report on Political Union from their Personal Representatives, which I also attach in preparation for the European Council discussion.

The Ministers for Foreign Affairs also discussed an outline plan of the main features for the organization of the two Intergovernmental Conferences, which is also attached and which obtained a broad consensus. Before the Council meeting the Permanent Representatives Committee will examine certain points on which reservations still remain.

With regard to preparations for Political Union, despite the short time available and the complexity of the problems, I think it is fair to say that a substantial task has been completed. The document in question indicates the possible options - and the degree of consensus which each has obtained - in reply to the queries raised by the Dublin European Council, which had already broadly defined the sectors to be analysed with a view to producing a policy for institutional reform. The report - already discussed by the Ministers for Foreign Affairs on 6 October - does not conceal the differences which exist, and which are sometimes substantial, on individual points, a fact which justifies its length but which enables all the countries taking part to be accurately represented. Keeping several options open facilitates preparation of the negotiation at the upcoming Conference and increases their chances of success.

This positive approach was further reaffirmed by the constructive nature of the inter-institutional meeting held in Strasbourg on 22 October 1990 which was given up to preparations for the Inter-Governmental Conference.

Mr Giulio Andreotti
President of the Council of Ministers
Palazzo Chigi

ROME

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This will enable the Rome European Council to carry out an initial verification of the degree of consensus which exists for some of the basic options put forward. The discussion will be extremely useful for the subsequent preparations to be carried out between now and the European Council in December.

In order to facilitate the reading of the text on institutional reform, I will take the liberty of adding a few remarks summing up its essential points.

The assumption underlying the whole exercise seems to me to be the universally shared recognition that the Community must increasingly be able to act as one not only in the economic field but also in political matters, specifying in the Treaty the reasons for this undertaking as well as the sectors in which it should be translated into practice.

The reasons for coming to this conclusion are familiar to us and may be traced back to the need to:

- (a) increase the Community's ability to protect its interests, by emphasizing the Community's political dimension at a time of changing balances both worldwide and within Europe, a process in which the Community itself must play an ever more important role;
- (b) provide better safeguards, through joint action, for Member States' security, in the widest sense of the term;
- (c) elevate the identity of the European citizen so that a true model of European citizenship emerges, by codifying a series of citizens' rights, whether existing or yet to be conferred, on the basis of the features characterizing Political Union (freedom of movement, residence and establishment; voting rights in the place of residence for local elections and in European Parliament elections; joint protection of Member States' citizens, etc.).

In order to achieve these objectives, which it will be up to the Conference to translate into action, the Presidency, taking its lead also from the prevailing thinking amongst the Member States, considers it necessary to:

- (1) Define ways and means of gradually and flexibly establishing a common foreign policy in basic and clearly defined areas and sectors, covering what the Twelve consider to be their essential objectives and interests. We take note of the consensus that has developed in favour of referring for this purpose to a single Council, responsible for Community matters, foreign policy and

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security, and of ensuring that the European Parliament is properly informed on the common foreign policy. The lines of the common foreign policy should be determined on a case-by-case basis in a pragmatic way by the Institutions (European Council assisted by the General Affairs Council). In this connection, I should also point out in particular that a number of partners supported the Commission's proposal to include in the common foreign policy a significant part of development co-operation. It would also seem to be appropriate, through amendments to the political co-operation mechanisms, to vary the conditions for taking decisions, going from unanimity in certain cases specified by the European Council, with the possibility of abstaining or opting out, to a qualified majority.

- (2) Identify objectives and instruments for a joint security policy extending beyond the present limits. This will mean defining the possible aspects of security (industrial and technological co-operation in the military sphere, transfer of military technology, non-proliferation, negotiations on disarmament and on confidence-building measures, in particular in the context of the CSCE, possible joint participation in peace-keeping operations and other initiatives in the context of the UN). It has been suggested that this objective could also be achieved by progressively greater co-ordination, and possibly in the long term by a merger, between the Community and the WEU, and by inserting a reciprocal guarantee pact into the new Treaty.

The Commission will participate fully in drawing up the common foreign policy, with the right, which will obviously not be exclusive, to propose initiatives. The Political Co-operation General Secretariat, suitably expanded, would be incorporated into the General Secretariat of the Council, while maintaining a specific structure. It would assist the Presidency and the Council in preparing and implementing the common foreign and security policy.

- (3) Extend Community integration to other sectors complementary to economic integration and essential for the social and cultural cohesion of the Political Union. In most Member States' views, the setting up of the Single Market and of Economic and Monetary Union make it essential to broaden and strengthen the powers of the Community in the realm of social policy, by introducing majority voting in this sphere as in that of the environment and research. Some Member States would also add the free movement of persons to the list. In addition, it is being suggested that certain areas of

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intergovernmental responsibility (e.g. drugs, police and judicial co-operation) could be given a basis in the Treaty, so that co-operation can be more precisely oriented.

It has also been suggested in several quarters that a flexible instrument for the transfer of powers from the Member States to the Community be inserted into the Treaty. Such an instrument could consist of a fortified version of Article 235, under which the Council would decide unanimously, with the agreement of the European Parliament.

As was noted by the Dublin European Council, the achievement of such significant objectives and the setting up of the necessary instruments would not be possible without a review of mechanisms of Community integration in terms of

- (a) democratic legitimacy
- (b) efficiency.

- (a) Concerning democratic legitimacy, it is foreseeable that the European Parliament itself will assess the appropriateness of its own role in the future Union according to three criteria: its involvement in the appointment of the President and Members of the Commission; the extension of the use of assent; its full participation in the Community's legislative process.

There seems to me to be a sufficient consensus on the need for the European Parliament to confirm the appointment of the President and the Commission, even if the question of how this should be achieved remains open. The same applies to the extension of the use of assent, at present confined to association and accession agreements, to include other important international agreements (though not purely commercial agreements) as well as other Articles of the Treaty.

There is also a consensus on allowing the European Parliament greater powers of control over the application of Community policies (financial and budgetary control, right of investigation, right to bring proceedings before the Court of Justice).

With regard to the legislative initiative, the majority is not in favour of extending this to the European Parliament, but some Member States feel the Parliament could call upon the Commission to act wherever it considered it to be failing in its responsibilities on a matter of general interest.

Regarding participation in the legislative process, I am aware that, while all Member States are in favour of extending the co-operation

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procedure, only some share the Presidency's belief in the need to introduce a genuine power of co-decision with the Council on matters of legislative or constitutional importance, if a substantial change in the current role of the European Parliament is to be achieved. Still to be discussed in detail are the possible mechanisms by which co-decision may be achieved, while upholding the requirement that the Community's effectiveness in decision-taking must not be reduced.

With a view to involving national Parliaments in Community action, consideration has also been given to the possibility of creating a representative body, with specific tasks, made up of Members of the European Parliament and of national Parliaments.

- (b) Regarding the effectiveness of the Institutions, the overriding requirement is to define the future role of the European Council, which some Member States feel should have a higher profile. In any event, the European Council should in the view of the majority of delegations exercise the responsibilities resulting from the Single Act and the Stuttgart Solemn Declaration: power of giving impetus, determining general guidelines, identifying new areas for co-operation and ensuring overall coherence of the Community's actions.

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The most significant innovation, as far as the Council is concerned, could well be the extension of majority voting. Many Member States feel that majority voting should become the general rule, except in the case of constitutional or institutional issues and for a limited number of other exceptions. All agree that the general co-ordinating role of the General Affairs Council should be increased, inter alia by giving it the power of arrogating issues from the specialized Councils and making it the sole channel to the European Council.

As for the Commission, in addition to its international role, its management powers should be given greater emphasis, particularly by making a distinction between the legislative acts and more specifically implementing acts.

It will be necessary to improve the operation of the Court of Justice and of the Court of Auditors, increasing the effectiveness of the judgments of the former and the investigative powers of the latter.

The role of the Economic and Social Committee should be redefined, while some countries see a need for the creation of a body that would allow the interests of the Community's various regional structures to be taken into account.

Finally, the Community should have access to the resources necessary for it to carry out its institutional aims.

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All this will mean introducing amendments to the Treaty regarding the functions of the institutions and their modes of operation. One particular criterion should serve as a guide: the achieving of a better balance among the various institutions, without the strengthening of one resulting in the weakening of the others.

The relations between the Member States and the Community are also a factor in the balance of the institutions, in accordance with the criterion of subsidiarity also governing the relations between the European Parliament and the national Parliaments, as is the role of the regions. There is a broad consensus that the principle of subsidiarity should feature in the preamble to the new treaty to define the basic criterion for allocating competence at the various levels. Compliance with this principle should be ensured through political rather than legal instruments.

Balance between the institutions also means finding a balance among the various models of integration, taking into account the fact that the construction of Europe is a process and that we must avoid launching into a theological dispute over such an original creation which cannot be patterned on a single model. This process must in our view embrace, without negative interaction, coexisting phases of intergovernmental co-operation and confederation-style decision-making, centred however round an axis that, as has been seen with the new policies too, must be clearly federal in nature.

One final consideration is the future size of the Community. We should not forget that we are discussing amendments that may determine the way it works for the next decade and which should therefore also be seen from the viewpoint of new accessions. Hence certain proposals, for example majority voting, aimed at ensuring that the institutions are fully able to respond to the requirements of a larger Community.

I take this opportunity to send you my best regards.

Gianni De Michelis