

CONFIDENTIAL



kw  
SUBJ: *ip*  
MASTER

Filed on:

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

4 December 1991

Dear Ruhan,

PRIME MINISTER'S MEETING WITH  
THE PRIME MINISTER OF THE REPUBLIC OF IRELAND: 4 DECEMBER

I have covered in a separate letter the Prime Minister's private meeting with Mr Haughey. This letter covers the plenary session at which the Secretary of State for Northern Ireland and Mr Garel-Jones were also present. Mr Haughey was accompanied by the Foreign Minister, Mr Collins, and the Finance Minister, Mr Ahern.

Mr Haughey opened the meeting by expressing his appreciation to the Prime Minister for having kept his promise to come to Dublin. The Prime Minister, he knew, would wish to talk about Maastricht. British and Irish objectives were different in a number of respects but Europe without Great Britain would be devalued. He offered the Prime Minister his best wishes in his determination to work for an agreement at Maastricht.

The Prime Minister said there was no question of Europe without Britain unless Europe wanted it that way. Quite a lot that was on the table was already agreed. Many member states wanted to go further. Some had not looked at the cost implications of what was proposed. Our objections were not simply matters of sovereignty.

EMU

The Prime Minister described what would happen if a single currency was introduced without adequate convergence. There would be unemployment, the collapse of asset values and the threat of mass migration. There would be pressure for large increases in the structural funds but this would not be a one-off payment but a constant economic drip feed. The Prime Minister thought it would be madness not to review the situation before a firm decision was taken to go ahead. It was essential for the British Government and Parliament to be able to decide at the end of the convergence period whether to go ahead. It was up to others to decide whether they felt they could bind their parliaments at this stage. The Prime Minister also set out our views on binding commitments in Stage II and on fiscal deficits.

CONFIDENTIAL

kw

### Political Union

The Prime Minister said that the political union treaty was in many ways more difficult. In some ways the text had improved. In others it had not. The original idea of a European defence subordinated to the European Community had been off the wall. The three pillared structure was a huge step forward. On foreign policy we were willing to see joint action by unanimity though we would prefer a national exclusion clause. We could not accept Qualified Majority Voting for decisions of principle. As regards QMV for implementation, how would it work? How was the distinction to be drawn between decisions of principle and implementing decisions? There was now on the table a proposal to decide by unanimity what elements of implementation could be determined by QMV. That seemed a very messy way of proceeding.

The Prime Minister said that on defence we took the view that the WEU must not be subordinate to the European Council. It had to be free standing.

### Competence, Powers of the European Parliament, Cohesion and Subsidiarity

The Prime Minister said that there had been a degree of creeping competence following the Single European Act. The most scandalous recent example was the Working Time Directive where the Commission had abused the provisions of the Treaty. There were, however, some areas where it was right to increase competence, e.g. the environment.

The Prime Minister said that we had not been able to accept the original proposals on legislative powers for the European Parliament. These had now been whittled down to a negative assent procedure. We did not like it. We could accept the idea of the European Parliament being able to say no but they would use that power as a lever. We believed that negative assent should be confined to areas where there was not large expenditure.

### Social Issues

The Prime Minister set out our objections to the working time directive in detail and with some force. He was, frankly, outraged by the way the Commission was behaving and it should not come as a surprise to our partners that, in the light of that, we could not accept the Social Chapter as now drafted. Anybody who thought this was not a real sticking point for us would be making a colossal misjudgment.

### Cohesion

The Prime Minister said he knew how important cohesion was for Ireland. We were not too keen on binding ourselves in advance of next year's financial discussion. We recognised that some of the countries which wanted cohesion had a pretty good case and there were other members of the Community that under-

contributed. But this was not something which could simply be tacked on to Maastricht.

Summing up, the Prime Minister said that, with give and take, an agreement probably could be reached but there were sticking points.

In the course of subsequent discussion the following points were made.

#### EMU

Mr Ahern said that he and the Chancellor of the Exchequer had managed to get legally binding provisions dropped from Stage II.

On defence, the Taoiseach said that Ireland did not like the nation of the WEU as an integral part of the European Union. Because of Ireland's neutral stance he made a plea for the Prime Minister to "have an ear" for Ireland's problems. Ireland would need some softening of our proposed language on compatibility with NATO. Ireland would have to have a referendum on the Maastricht Treaty under their written Constitution. The idea of military neutrality was traditional in Irish politics. The Irish Government was edging towards a European defence policy because they saw that was the trend but this had to be done step by step. The notion of a close link with NATO could put the outcome of the referendum in doubt. Mr Haughey added that Ireland could live with the notion of a common defence policy but not with the idea of a common defence. They could not accept that the WEU was an integral part of the development of the European Union.

The Prime Minister said that he thought we might be able to live with some change in the wording on compatibility with NATO provided this did not unbalance the link as between the WEU and NATO on the one hand and the WEU and the European Union on the other. Any weakening would have to be in both directions.

#### Cohesion

Mr Haughey reiterated that this was very important for Ireland. They wanted language in the Treaty and a Declaration. The Prime Minister and Mr Garel-Jones made clear that we could live with a Declaration but we could not have anything which pre-empted decisions due next year. Cohesion implied some redistribution of existing resources. That being so, people would want to know who were the winners and losers. It was by no means certain that the losers would be France, Germany and Britain. It could be countries like Ireland, Portugal and Greece. Mr Collins commented that once the political union treaty was agreed the Germans would refuse to contribute to cohesion. The Prime Minister said that the Germans would make that point. They could do no less for political reasons, but they would pay up in the end. He knew that countries like Spain wanted progressivity. They might have a case but that case had not yet been made. It would be folly to reach conclusions in advance of detailed discussion. Mr Haughey asked whether Britain

would go along with a declaration of intent. The Prime Minister said that we would support a declaration.

### Social

The Prime Minister and Mr Haughey found common cause on this issue. Mr Haughey said that Ireland shared Britain's view of the desirability of free collective bargaining, not settlements imposed from Brussels. He agreed with the point made by Mr Garel-Jones that centrally imposed wage settlements for transnational companies would reduce the competitiveness of countries like Britain and Ireland which attracted inward investment. These were the sort of agreements that were best made at local level. Imposition from outside would be against the interests of employment, and unemployment was Ireland's biggest social evil. Ireland was also desperately trying to rectify her budget position and that would not be helped by the extra expenditure implied.

The Prime Minister said that we would at the very least need a significant change in the social text. He thought that if he and Mr Haughey made the case against the text they might get some support from the Spanish Prime Minister. He could not, as a Socialist, oppose the text but he might come in to say that since overall agreement was very important other member states should, in the interests of reaching an agreement, take account of British and Irish concerns. Gonzalez was a potential conciliator. Nor were the Italians beyond negotiation.

### Northern Ireland

Mr Haughey said he found the situation in Northern Ireland depressing. Despite the resources invested, the situation remained unsatisfactory. It was in many respects deteriorating, for example with the upsurge of tit-for-tat sectarian killings. Mr Brooke and Mr Collins had made great efforts in respect of the political talks, but the process had stalled. Comments by the Unionists indicated that there was little hope of progress. There was not much to be achieved through improved security cooperation: despite a series of proposals by Mrs Thatcher when she was Prime Minister, there had been little improvement in the situation. The two Governments should therefore agree to conduct a general review covering the totality Anglo-Irish relations in order to see whether anything could be done at inter-Governmental level to achieve political progress.

The Prime Minister stressed that there was no doubt about HMG's commitment both to the Anglo-Irish Agreement and to the three-stranded talks. The Unionist leaders had made it clear to Mr Brooke that they were prepared to continue the political dialogue, and to do so quickly. There was thus a real possibility of fresh talks prior to the General Election. On security, the improvements that had taken place were most welcome. But there were areas where further developments were possible. Examples were the formation of a Garda anti-terrorist squad, an increase in covert surveillance, a common automatic fingerprint recognition system, and direct radio communications

between the Garda and the British Army. The Taoiseach's proposal for a general review by the two Governments would generate unnecessary suspicion among the Unionists. An alternative, which could be immediately announced, would be for the Heads of Government to agree to meet twice a year, alternating between London and Dublin. This would not arouse the same fears among the Unionists. Any subject could be discussed at these bilaterals.

Mr Haughey warmly agreed to the proposal for half-yearly meetings, and asked whether one would take place in the first half of next year. The Prime Minister said he would wish to consider the position post-Maastricht. There was also the prospective General Election to consider.

Turning to the specific security proposals made by the Prime Minister, Mr Haughey made it clear that the answer on direct radio communication between the Garda and the British Army would be as before (no).

Mr Haughey thought that a common automatic fingerprint recognition system was a good idea and consistent with present practice. He would look at the idea of an anti-terrorist squad. Mr Collins said that there could be minuses as well as pluses. The idea had been looked at before but the Irish Government had come down against it on the basis that any anti-terrorist squad would come in on the top of the existing police force who would then down tools. Mr Collins thought that Ireland could certainly improve on covert facilities. The Irish had already taken up our offer of training and this enabled them to train their own trainers. The Prime Minister said he hoped these ideas could be developed further. He and Mr Haughey could then discuss any difficulties.

Invited to comment, Mr Brooke welcomed the proposed half-yearly meetings for the discipline they would exert on Mr Collins and himself to make progress, including in the social field, and to report back to the Heads of Governments. Mr Collins added that "speciality" would also need to be included.

#### GATT

The Prime Minister said he understood Ireland's difficulties over the GATT. It would, however, be enormously difficult if no agreement was reached this year. If GATT went wrong there could be a very serious trade war. We must ensure that the Commission was negotiating sensibly. The US too must make more movement and we had told them so.

Mr Haughey said that Ireland was a bit ambivalent about the GATT. 70 to 80 per cent of their economy depended on overseas trade and a successful GATT round meant a lot to them. But they also had to bear in mind their farmers. Equally it was not just the income of farmers that was at stake but the food processing and food export industry. We needed to see what could be done to ensure a GATT success which provided adequate protection for Ireland's farmers as well.

Libya

The Prime Minister said there was absolutely no doubt that the Libyans were responsible for both Pan Am 103 and the downing of the French civilian aircraft. They were also still funding terrorism in other parts of the world. We must give a concerted signal that Libyan behaviour was unacceptable. Whether such action was for the G7, the UN or elsewhere was for discussion.

Mr Haughey said that he went along with what the Prime Minister said. Ireland had punished itself very severely by cutting off its exports of cattle to Libya. The Germans had picked up all the trade although the Libyans had made it plain to the Irish that they would resume the trade with them tomorrow. The Libyans also claimed that the UK was one of their best trading partners. Nonetheless the Prime Minister could be assured that Ireland would not depart from the strict position she had taken.

Mr Collins referred to the statement by the Twelve on Libya. He had himself said publicly, following the statement: i) that Ireland expected Libya to surrender the perpetrators of the crime; ii) Libya should disclose all they knew about terrorism and pay compensation; iii) Ireland roundly condemned terrorism.

The Prime Minister said that Mr Haughey should not believe all the Libyans told him about British trade with Libya. He thought Mr Collins' statement was excellent. We could not ask for more.

I am copying this letter to Tony Pawson (Northern Ireland Office), Jeremy Heywood (HM Treasury), Martin Stanley (Department of Trade and Industry), David Rossington (Ministry of Agriculture, Fisheries and Food), Martyn Waring (Department of Employment), Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).

*Jms,*  
*Gregor*

J S WALL

Richard Gozney Esq  
Foreign and Commonwealth Office