

**Dermot Nally  
Papers**

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Confidential

Meeting Between The Taoiseach and Prime Minister Major  
- Government Buildings, Dublin, 4 Dec 1991

Plenary Meeting

Following the tete a tete talks involving the full delegations on each side took place for about an hour and a quarter ~~they~~ (followed by lunch and a joint Press Conference.)

The Taoiseach was accompanied at the plenary meeting by the Minister for Foreign Affairs, Minister for Finance and officials (Messrs Nally, Small and Dorr); the Prime Minister by Secretary of State Brook, Mr. Gareth Jones and officials (Sir Robin Butler the Cabinet Secretary, Steven Wall his Principal Private Secretary and Ambassador Blatherwick)

The following is written up in the form of direct speech from a note taken during the plenary meeting.

At the outset the Taoiseach welcomed the Prime Minister, and the Prime Minister responded suitably.

Taoiseach : I greatly appreciate that you kept your promise to come to Dublin. I did say to colleagues that I would absolve you in view of your heavy schedule in preparation for the European Council. You have our sympathy and understanding in the task you face in regard to Maastricht. Our priorities differ. We are a small country with a particular position. But to some extent certain of the problems you have are our problems too.

A Europe without Great Britain would not be as interesting for us. Our interest is an integrating Europe with Great Britain inside. Therefore you have our best wishes for Maastricht.

May I invite you to go over your concerns?

Prime Minister Major: I am pleased to be here. It is my first but not my last visit to Dublin. We had a productive discussion in Downing Street in July and of course Peter Brook (the Northern Ireland Secretary) has been meeting Gerry Collins (the Minister for Foreign Affairs). The relationship between us is very good. We are able to discuss the range of issues now - some at Conference meetings and others at bilateral meetings between us on the margin of European Councils.

As regards the Inter-governmental Conferences, there is no question of a Europe without Britain unless Europe wants it. If a treaty were now to be signed on the basis of what has already been agreed it would be a big treaty. Some people however are pushing for more. But some of the issues have not been adequately

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examined. We are intensely practical.

It would be a mistake to see our problem as that of "parliamentary sovereignty" only. That would be to cheapen the debate. We have political and economic problems. Let me run through the treaties to outline them for you.

A few months ago it was inconceivable that Britain could sign up to economic and monetary union. Many partners were prepared for failure. Therefore there has been a huge movement. We have however some practical sticking points.

The idea of a European Central Bank and a common currency are very new. These ideas can only work if we're operating on a level, competitive ground. Therefore you need convergence - of interest rates, of inflation and of the performance of economies. If you do not have that then there will be one certain outcome - the best and most powerful will do very well and there will be massive regional unemployment. There will be a collapse of regional asset values - houses, shares, land. There will be mass migration across a community which will then be without borders. So you will have a mass movement from South to North.

It is proposed that there be huge structural funds transferring wealth from North to South to counteract this by stimulating the economies. But this is a waste - you cannot have half of Europe living on a economic drip feed. Yet that is almost certainly the outcome we face if we move to a single currency without economic convergence.

I am not prepared to sign up for the future in unknown circumstances - that could wreck the community. It would be folly. Therefore we are pushing for conditions for convergence. I view with astonishment, bordering on disbelief, the enthusiasm of some countries to sign up now without knowing what lies ahead. It is essential that the British Parliament and Government decide for themselves. If others believe that they can go back to their Parliaments and say "we have agreed all this and now you must accept it" then that is their affair. But we cannot do that.

This is an absolutely firm unbreakable position. We cannot agree in stage 2 to binding commitments on fiscal deficits (for movement to stage 3). That would be unrealistic and fanciful. They talk of a deficit percentage of 3%. But no one meets that target except the Netherlands - through some "fiddling" of their accounts. The Germans do not meet it - their deficit is 5% now though it may drop to 3.8%. We can't accept this. We cannot see how others can accept it as a serious proposition.

With these points met there is a prospect of agreement on economic and monetary union.



it very much. There is no problem about the European Parliament saying no but they will say "no but" and bargain to add things to the decision. Therefore it must be confined to particular areas where the expenditure provisions are not unbearable. It will be a straightforward bargain. I hope we can reach agreement.

On the Social Chapter we are very worried. We are especially concerned about the directive on working time. The cost to us could be up to five billion pounds per annum. That would have one of two results: either it would increase unemployment; or it would be necessary to reimburse the employers and thus have an increase in income tax.

I am outraged. There was a Commission decision, under a false article, for something they had no authority to do. If they think I am going to sign up to this - the answer is no. There are things that could go into the Social Chapter but the balance is wrong. This is a real sticking point for me.

It would be a colossal misjudgement if they can think they can leave it to the end and settle everything else and that then we will sign on to this. There have to be big changes. It is a real sticking point.

On cohesion, I know how important it is for you. I understand your position especially with CAP reform. We have to look at it. But I am not too keen to bind ourselves now in advance of the financial discussions next year. We have been on that slope before where weasel words were later built up into something more. Some undercontribute on GDP. Some do require cohesion. But we cannot take on this without a proper examination.

So that is a broad outline of our approach to Maastricht. Some discussions are moving nicely but there are some sticking points.

Taoiseach: It is very clear. We have a number of concerns. Some of them touch on your areas.

On EMU we have been fighting on the criteria. The Netherlands Finance Minister sat there on that chair and told us that the criteria were fixed - 3% of GDP and 60% ~~GDP~~ <sup>GDP</sup> ~~IMT~~ <sup>IMT</sup>.

Prime Minister: But they are not fixed. He cannot say so. Of course I ought to say "great - then you will never get EMU"

Taoiseach: What do your partners say about your position?

Prime Minister: Norman Lamont has been dealing with it. We have not signed up to the 3%.

Minister for Finance: Taoiseach, there is news - late last night we agreed to drop legal requirements for stage 2. Norman Lamont

and I work closely together.

Prime Minister: Good. I am glad to hear it. The merits are clear. To agree to binding rules before Parliament had decided to go to stage 3 would have been the theatre of the grotesque.

Taoiseach: We deserve credit on this!

Prime Minister: The trouble is that credit from one means blame from another!

Taoiseach: I am glad to hear what you said about WEU. The draft wording would certainly present us with a problem in referring to WEU as "an integral part of the development of the union". If I understand your position on WEU you want it to be free standing, you are prepared to see it built up and you can accept an organic link to the European Council. Is that your position?

Prime Minister: I'm not sure what that phrase "organic link" means exactly. But yes, that is our position.

Taoiseach: We have a problem about NATO - the text says that the policies of the Union must be "compatible with" the policies of NATO. We have a neutral stand in regard to NATO. But I think we might get language on this point to suit us. But I would ask you to have an ear to our problem.

Prime Minister: The key point is that there should be no suggestion of a relationship between the Union and WEU which is greater than the relationship between the Union and NATO. I understand your political problem but I won't delve into that bag now! It seems to us very important that the U.S. commitment to European defence should remain. My bottom line is that I want to see nothing in the treaty to pander to those strands of opinion in the U.S.A. which want to reduce the U.S. commitment to Europe.

I do not mind having nothing at all in the treaty about defence. But the problem has arisen in the first place because of the Franco German Paper and the approach taken on this issue. It is impossible for us and I assume for you. We cannot accept subordination to WEU while you have for your part a posture of neutrality.

Taoiseach: We may put forward wording at the European Council. If we do, please understand why. You have problems with your Parliament. But we have a bigger problem - we must have a referendum next year.

The idea of military neutrality has been a tradition here. We have been edging slowly towards a European defence policy because we see it coming. But we want to do it step by step. We do not want to confront the Irish people with a link with NATO.

Prime Minister: Have you told the French and the Germans your position? What they propose would be an absolute time-bomb. We can live with the long term perspective of a common defence policy. What about you?

Taciseach: We can live with that too.

Garell Jones: The problem is the linkage to WEU and to NATO.

Prime Minister: That is critical to us. There were some of our partners who were not too keen on supplying ammunition to us for the Gulf War. I have the problem that I have a number of former Guardsmen on my backbenches. Indeed some are not only on the backbenches. Was anybody here in the Guards - you Peter (to Mr. Brook) you Robin (Cabinet Secretary)? No.

If you have wording to suggest our officials might perhaps look at it.

Taciseach: Yes we could do that.

Prime Minister: It would mean weakening the link both ways (i.e. with WEU and with NATO). (To his delegation) Correct me if I'm wrong. But I think that if the weakening on both sides is comparable that would be okay? (i.e. it would be alright if any change in the wording does not change the relative balance as between the link with NATO and the WEU).

Garell Jones: I think it is crucial that the French and Germans understand that Irish neutrality cannot be brushed aside.

Prime Minister: There are many things that the Portuguese too are not happy about. The French and the Germans tend to assume that if they have agreed between them that is it. That is certainly not our view.

Taciseach: We can be very much ad idem with you on this. The wording on WEU being "an integral part" and the paragraph on NATO could be looked at.

#### Cohesion

Taciseach: This is very important for us. We believe that EMU will contribute to the growth of the Community subject to the points which you have made. But it is no good to us if this simply leads to a move to the centre. The effect would be to add a West-East movement of people to what you have already described as the South-North movement.

Cohesion is important to us as a reality and also because of the question of presentation. (i.e. in a referendum). There is language in the Draft Treaty but we will be pressing very hard in

addition for a protocol or a declaration to firm it up. There is a Council draft - I don't know if it has been circulated.

Garel Jones: We made clear that a declaration which sets out the concerns of the cohesion countries is alright with us. Our anxiety would be with the idea of this agenda coming to a conclusion before it has been thoroughly discussed. Apart from this, a declaration would be alright with us but not a protocol.

Minister for Foreign Affairs: Spain won't accept that.

Prime Minister: They don't know what they want. The thing is if you keep to existing resources then a cohesion which merely redistributes those resources raises issues. If Spain is to gain, others will need to know who loses. I am not at all certain that the losers will be the richer countries: France, Germany and the U.K. It could also be Ireland, Portugal and Greece. Therefore for practical reasons it is folly to say we will go ahead until we know what the actual cohesion changes would be.

Minister for Foreign Affairs: There is a certain tactical weakness for us. Political Union will have been agreed. The Germans could then say they won't pay.

Taieisach: Lubbers said that Spain is now becoming a net contributor.

Garel Jones: That is wrong.

Prime Minister: They're near to that but it is wrong. Spain has done very well out of the Community. Delors confirmed yesterday that they would not be net contributors this year or next and probably not the following year.

Taieisach: Lubbers's theory is that they want a Convergence Fund to disguise their real concerns about their contributions.

Prime Minister: Their concern is "progressivity". An ugly word. They may have a case but the case has not been made. As the Community develops we are happy to see all these matters examined with an open mind. But it is folly to reach conclusions in advance.

(To Minister for Foreign Affairs) The Germans could not say in advance "we will pay". They are used to a fiscal surplus. Now they have a fiscal deficit of 5%. They have increased taxes. Their situation now would exclude entry into EMU on the basis of the proposed criteria:

The reality of what cohesion discussions throw up will determine the decisions.

Taoiseach: We could go along provided there is a reasonable declaration on cohesion.

Prime Minister: I will support a reasonable declaration. The Danes and the Dutch should pay more

Social Policy

Taoiseach [spoke of the cost of some proposals and referred to workers in the Health Services]

Prime Minister: I agree. The only beneficiary is that the Japanese and the Americans become more competitive as our markets open. It is unwise. It has been done so that everyone will be put on the same disadvantageous level of social costs as the Italians (who borrowed for it) and the Germans (who can afford it). A Japanese said recently "If you Europeans commit suicide in this way why should I worry?"

As regards "working conditions" you have wanted to limit it to physical conditions. That may be something on which we can work together. But even there, qualified majority voting could be a problem.

Taoiseach: We could hardly resist on that point.

Prime Minister: There are a lot of joint initiatives possible between you and I (sic). We both need significant changes in the Social Chapter. The Spaniards have the same worry. Have you been in contact with them?

Garel Jones: They told us in private that they are uneasy. But they cannot stand up on the issue because they have a Socialist government.

Prime Minister: Yes. Gonzales cannot say it himself. But if we (U.K. and Ireland) say so then Gonzales will come in and say "yes there seems to be a problem here". He will then say that "in the interest of the specific difficulties of some partners we should try to accommodate them." In other words I see him as a potential conciliator if we stand on the issue. This could be a way to bring in the irreconcilables - the Belgians and Luxembourg. It is not irreconcilable. Andreotti who is a formidable political realist wants a treaty.

Your concerns are not exactly the same as mine but we could work together on it and if Gonzales came in then as I said we could get somewhere.

Taoiseach: Why do the Portuguese not make a point of this?

Garel Jones: The difficulty is that Gonzales will be briefed by - (?) to speak against but there will be other pressures on him from the other side.

Taoiseach: Can you join us in saying that it is best left to free collective bargaining?

Prime Minister: Yes I agree. If some of these things are dealt with at European level what then is the role of Governments to be?

Taoiseach: Our trade unions will be realistic enough. They realise Government can't afford it all at once. But on the other hand they can reach agreement with the employers about what can be done - to go this far now and do more later.

Minister for Finance: The argument has been based on competition so far as the Germans are concerned and not at all on helping workers.

Prime Minister: Agreed.

Garel Jones: The danger is that if trans-national companies are in our countries how can the trade unions in our countries refuse the demand for a trans-national wage settlement? This would lessen the attractiveness of your country and ours for trans-national industry.

Prime Minister: It also puts the trade union leaders in an invidious position. It is difficult for them to resist something like this at European level if they know that it could lead to unemployment because our country cannot afford it. I passionately believe that in the interest of the ordinary working people this is not the way to do it.

Taoiseach: Our arguments are cumulative on this point. We believe

1. It is best done at local level.
2. It will be anti-employment.
3. We are desperately trying to rectify our budgetary position and this will damage our efforts.

Prime Minister: Plus the problem about transferring our competitiveness to the Germans and the Japanese.

Mr. Nally: It would also wreck the Spanish tourist industry. But of course they would not implement it!

Prime Minister: I agree. But now of course there will be a provision in the treaty which allows the European Court of Justice to impose fines for non-implementation.

Northern Ireland

Taoiseach: I want to say something about Northern Ireland before we go into lunch.

The situation is still depressing. We have all committed huge resources in time and effort and finance of all kinds. We are still in a situation that is totally unsatisfactory and even deteriorating in the last few weeks with an increase in tit for tat killings.

We have to ask if we are doing enough? Secretary Brooke and Gerry Collins have made herculean efforts to get some process under way. But at the moment it is stalled and recent pronouncements of the Unionists do not seem to indicate that there will be progress.

For this reason I was proposing a general review of the whole situation in Anglo-Irish relations including the talks to see whether at the inter-governmental level there is anything further that we can do to improve the situation.

I do not think there is anything more we can do on security. At every meeting I had with your predecessor she put forward new proposals. We adopted them. There was no improvement. I think that in this respect we are (both) at the end of our tether. Therefore I am suggesting a review of Anglo-Irish relations in the context of the totality of the relationships between the two countries to see if there is some overall way to achieve progress.

Prime Minister: I do not think our commitment to the Anglo-Irish agreement can be in any doubt. Nor can there be any doubt of the patient skill of Peter Brook in seeking to get talks under way. When he met the Unionists recently they made it clear that they were prepared to continue the dialogue and to make progress even before an election. [Here there was some reference to fact that the election has to take place before 9 July.] There is thus a real possibility of fresh talks before the election on the basis of Peter's efforts.

On the wider issues of the general review and security ...

On security we welcome the improved security co-operation. It is very welcome indeed and Peter has said so. We still think there are some areas which could be developed to curb violence. The sort of areas I'm thinking about could be

- (a) the creation of a Garda Anti-Terrorist Squad dedicated wholly to anti-terrorist work
- (b) improved co-operation on finger printing. Co-operation

is good but present methods are time-consuming. We could co-operate on common automatic finger printing arrangements (?)

Taoiseach: Why not?

Prime Minister: I am simply tossing off ideas. I should say I am very much impressed by such of the work of the Gardai but we would welcome an increase in covert surveillance.

Another area is direct Army to Gardai radio contact. I know this has been discussed a number of times in the past. But maybe we could look at it again in the context of a further examination?

As regards a general review (of Anglo-Irish relations) I would say that there is more than one way to skin a cat. If it is expressed at this stage it will excite unnecessary suspicion on the part of the Unionists and possibly inhibit progress. But I would be happy to put to you an alternative proposal. We have got used to these meetings on the margin of European Council Meetings. We had productive meetings in June and now we are having a productive meeting today. I see no objection to saying that we have found our meetings productive in discussing Anglo-Irish, international and European issues and that we have decided to continue them on a regular basis twice a year - once in Dublin and once in London so as to enhance mutual understanding in all these areas.

This does not prohibit a review.

So I have two proposals

1. That we examine some of the ideas I mentioned on security co-operation. They may be wrong but we could discuss them.
2. That we hold regular meetings as I suggested.

Taoiseach: I will take the second one first. It is so obvious that we should have thought about it before. Your proposal for regular meetings is perfectly acceptable. Of course the journalists when we meet them will ask when the first meeting will be held?

Prime Minister: We will have to give them a general answer because of the question of the date of the election. Not even I know that!

Taoiseach: In regard to your first proposal there is only one of the ideas you mentioned which would bother us - that is the question of Army to Garda radio communication. I do not mind if you say we should look at it again. But the answer may be the

same as before. The other proposals however we could certainly look at.

Minister for Foreign Affairs: There is a genuine difficulty about the idea of a special anti-terrorism unit. They would be sent down from Dublin to Cavan, Donegal, Monaghan and so on and they would come in on top of the local Gardai who would resent this and down tools.

Taoiseach: Yes. The difficulty is that, unlike you, we have a national police force.

Minister for Foreign Affairs: On the idea of covert surveillance we can improve the position. We have close co-operation already. We have sent people to be trained and you have trained our trainers. We can talk about developing this.

Prime Minister: The ideas I've put forward might be matters which we can develop. If there are difficulties we can talk further about them.

The Taoiseach confirmed his agreement to the proposal for twice yearly meetings.

Northern Ireland Secretary: The only problem with half yearly meetings is that you will be calling Gerry and myself to account!

Prime Minister: If things go wrong you can take his place and he can take yours.

#### GATT

There are some other international items to mention. One is GATT. If it goes wrong it could be a very big problem. I have said to the U.S. that they have to make movement but it is very important for all of us to have an agreement.

#### Libya

I also want to mention Libya. The detective work on the blowing up of the Pan-Am flight at Lockerbie has been absolutely staggering. There is no doubt that Libya is responsible for the bombing of the Pan-Am flight and also for the bombing of the French Plane (UTA). The thing is what do we do? Libya is a terrorist state. It says that it is reforming but it has been shown beyond reasonable doubt that it was responsible and it is furthering terrorism elsewhere. Therefore we are going to have to seek action - in the U.N. the G7 etc. What it will be I do not yet know. There is no immediacy about a snap decision. But the swiftness of the American and the French response and the robust Community response are a sign that we have to work together. I do not know exactly what we want to do but I want to

flag it for you as point of importance.

#### GATT

Taoiseach: On GATT we have to be ambivalent. We live by our exports - more even than you. 70 or 80% of our economy is overseas. Therefore a successful GATT agreement is very important to us. But then on the other hand there are our farmers. We have to try to see what we can do. It is not just a question of the income of the farmers but a very large section of the economy-food processing and other kinds of employment.

#### Libya

As regards Libya we of course go along. But we have had to punish ourselves on this. We have a major outlet for cattle which was very valuable to us in the past especially because it comes at a critical time of year and helps to keep up factory prices. Because of the behaviour of Libya in regard to the IRA and so on we have had to let it go. And the Libyans would refuse it tomorrow if we gave them some kind of diplomatic recognition or if Gerry Collins went there on a visit.

But the trade we forego is being taken up by the Germans and others. Most member states are trading happily with the Libyans. We are inflicting damage on ourselves. The Libyans say that Britain is one of its best trading partners!

Prime Minister: Is that true? I don't know that but I will make it a point to find out.

The Libyans also make a point about what they call sterling deposits in London. They are playing a little on this. It is really dollar deposits (?) held in British banks which we cannot touch.

Taoiseach: We won't change our position (i.e. of accepting the loss of trade possibilities for our cattle). I recall that saying "if 'twere done when 'tis done then 'twere well 'twere done quickly". You have scotched the snake not killed it!

Prime Minister: We will look at the trade figures and discuss it with the Germans.

Taoiseach: Libya was an important outlet for our live cattle. It offered a safety valve. But that's the price we have to pay.

Minister for Foreign Affairs: Every time we met the Libyans we always made it very clear to them that we were strongly critical of the supply of arms.

Taoiseach: The trouble is Chadaffi is mad!

Steven Wall: The Egyptians tried to bring him around but they didn't get anywhere.

Minister for Foreign Affairs: I met with the Egyptians yesterday. The Foreign Minister said that they are still trying to do so.

The meeting broke up at this point and the Taoiseach invited the Prime Minister to go to lunch.

c.c. PSM

Mr. Nally (Secretary to the Government)

Mr. Brosnan (Department of Justice)

A/Sec O hUiginn )

A/Sec Barrington) DFA

A/Sec Fahy )

A/Sec Murphy )