

ANNEX A

EC ISSUES

Economic Growth and Employment

There are likely to be two main strands to discussion at Copenhagen on economic recovery:

I Short Term Economic Position

Our objective for Copenhagen will be to reaffirm the principles agreed at Edinburgh and to avoid conclusions which call for new spending, reopen Edinburgh spending ceilings or set unrealistic deadlines for ongoing negotiations (eg on R&D framework programme).

II Medium Term Structural Position

The Commission said at ECOFIN on 7 June that Delors would not seek agreement to new spending at the meeting; he is just looking for a remit to carry out further study. The aim should be to get conclusions language which stresses the need for efficient and flexible labour markets avoiding measures which hamper job creation. This would help follow-up work (probably best led by the Commission rather than 'wise men') We have given the Danes some draft text. The Presidency may also push ideas based on a Danish domestic scheme of job rotation under which employers are paid Government subsidies to take unemployed people to replace staff on long-term training schemes. familiar theme from the Danes. We would certainly oppose its introduction on an EC basis (too expensive and bureaucratic and we have our own employment and training schemes anyway). We will also want to ensure an appropriate role for ECOFIN in following up any remit from the European Council (ie avoid a monopoly by Social Affairs Ministers more likely to seek excessive levels of social protection).

The Prime Minister may therefore wish to make the following points:

- UK fully committed to Edinburgh principles on promoting economic recovery. Welcome follow-up work in ECOFIN. Hope Copenhagen will be able to build on what ECOFIN has achieved.
- Aware that ECOFIN has made progress with the remit from Edinburgh to consider measures to improve functioning of labour markets. Hope that Copenhagen will acknowledge this.
- Can agree to further Commission study, with focus on competitiveness in world markets and improving functioning of labour markets. Must avoid measures which hold back EC companies and hamper job creation. Important for ECOFIN to be given appropriate role in follow-up work.
- Hope we can keep Commission to their word (at ECOFIN) that they will bring forward no new spending proposals.

[If Raised: Do not accept that lower forecasts for EC growth justify reopening Edinburgh expenditure ceilings. Like national Governments, Community must live within its means.]

Proposed Autumn European Council

Bitterlich, the Chancellor's special adviser, has indicated that the special European Council might discuss:

- making Maastricht work (which would include sites of the institutions);
- institutional aspects of enlargement; The German Foreign Ministry have suggested that the Council might also cover the structure of the Community in the longer term (perhaps based on Balladur's paper on Stability in Europe and a new French paper on the consequences of enlargement to the East).

The first item is fine provided it genuinely sticks to making Maastricht work, and not reopening it or anticipating the 1996 IGC. A discussion of institutional aspects of enlargement in the autumn would probably be premature: it is sensitive (large versus small states) and would need careful preparation. An initial discussion at Head of Government level could get it off on the wrong foot. But a general discussion of enlargement, giving it a further push and identifying the institutional aspects as requiring careful study, would be all right. Discussion of the Community's development in the longer term, centred on relations with East and Central Europe should not hold any terrors: it is, after all, our agenda; and Chancellor Kohl's vision is similar to ours.

The Prime Minister might wish to draw on the following:

- An ill-timed proposal. Sceptical about the value of a Special European Council in the autumn. But recognise that if it gathers sufficient support from other Member State, it will go ahead.
- Will not object, provided that agenda for meeting sticks to practical issues such as implementing Maastricht, taking forward enlargement, relations with East and Central Europe.
- But do see serious risks in a Summit that tries to re-open Maastricht, or to anticipate the 1996 IGC. That would simply re-open divisions in the Community. Does not, however, appear to be what Germans and Belgians have in mind.
- If subject comes up at Copenhagen, will insist that agenda for any special European Council concentrates on practical, operational issues listed above.

GATT

Tokyo will be the key meeting to give impetus to the Round. An unstructured discussion at Copenhagen could derail this approach. Irish concerns centre around their beef production: they fear that Blair House commitments on exports will lead to greater than anticipated cuts in output levels and market prices.

Following talks with the French Prime Minister in Paris on 10 June, Mr Reynolds reportedly said the Irish Government supported, in general terms, the French view on GATT, and would back the French in opposing Blair House. He would not say whether Ireland would support a French attempt to veto a Uruguay Round agreement. Council approval of the GATT agriculture deal will not be required until Member States are asked to approve the overall Uruguay Round package, hopefully at the end of the year.

The Prime Minister might say:

- Welcome confirmation of Peter Sutherland's appointment as GATT Director-General (by unanimous approval of GATT contracting parties on 9 June). The right person to steer the Uruguay Round to a successful conclusion.
- Encouraged by renewed commitment shown by main GATT negotiating parties. Hope we will see an outline market access package agreed by Tokyo.
- Not convinced of value of detailed discussion at Copenhagen: several more pressing issues deserve our attention. But Council conclusions should offer support and encouragement to Commission and a positive impulse to the negotiating process.
- (If necessary) Important not to give wrong signals to other parties in the negotiations at possibly crucial stage in market access discussions. Commission need negotiating flexibility if they are to secure best outcome for the Community: appearing to question their approach could fatally undermine their credibility.
- (If Mr Reynolds raises GATT agriculture agreement) Believe Commission assumptions are reasonable, and that Blair House is compatible with CAP reform. Recognise particular problems with beef: but these stem from inadequate reforms to date. Blair House will not make them worse. In any case, should not view agriculture agreement in isolation, but as part of overall Uruguay Round settlement, from which we all stand to gain.

Openness

The important point (not least for the Danes) will be to have some positive and forward-looking Conclusions agreed in Copenhagen to demonstrate that the commitments made at Birmingham and Edinburgh are being implemented. The Commission is expected to present a paper on openness discussed in the FAC on 9 June. and may present another paper on the Community's

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information and communication policy. The Presidency have held 7 Council meetings in open session. Some (notably Belgium, Luxembourg and Portugal) have not been keen on open Council debates, arguing that they risk pushing the real negotiation into the corridors, and that they may give the wrong impression of the way in which the Community works. The Irish have taken a low profile on this subject.

The following points may be useful:

- Good progress in Danish Presidency: opening up Council debates to TV cameras, better pre-Council background briefing of press, getting agreement on guidelines on the quality of drafting of Community legislation.
- Believe all these points should be included in Copenhagen Conclusions. Should also note Commission's efforts, eg making greater use of Green papers to consult on legislative proposals. Conclusions should say something positive - and practical - about openness in Commission and Council.
- Important that we keep up the momentum set by Birmingham and Edinburgh Councils. Will need to encourage Belgian Presidency to hold reasonable number of open Council sessions.

Subsidiarity

At Copenhagen the Irish will be less keen to press hard on subsidiarity than we are. The Prime Minister emphasised the importance of strong conclusions language at his meeting with Nyrop Rasmussen on 14 June. The text has also been shown to the Council Secretariat. Delors has agreed to present a substantial oral report on the application of subsidiarity as a prelude to his full report to the December Brussels European Council. We hope to draw material from this for the Council Conclusions to reinforce the guidelines agreed at Edinburgh; to show that real progress is being made in implementing subsidiarity; and to emphasise that no area of Community activity is excluded from its effect. The Commission will present its full list of legislation and proposals to be amended or repealed with its report at Brussels in December. We have pressed Delors to produce a further interim list at Copenhagen.

The Prime Minister may wish to make the following points to the Taoiseach:

- Keen that Copenhagen European Council is seen to make progress on subsidiarity. Important to demonstrate to people of Europe that subsidiarity has practical effects.
- Understand that Delors thinking of presentation on process since Edinburgh, and looking forward to substantive discussion already commissioned for Brussels summit on legislation to be amended or withdrawn. His presentation could provide opportunity for discussion at Copenhagen, perhaps at the end of Monday afternoon.

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- Will also need good conclusions language, to reflect what Delors says. Hope it can include some examples of legislation to be amended or withdrawn.

Enlargement

In talks with the Foreign Secretary in Dublin on 30 April, Dick Spring agreed with the need for Copenhagen to give a clear direction on the negotiations. Progress under the Danish Presidency has been more limited than we would have liked. The incoming Belgian Presidency has no great enthusiasm for enlargement. Strong marching orders from the Copenhagen European Council would therefore be useful. The Presidency may also propose a target date of completion of negotiations by the end of this year. This is probably unrealistic and will not find favour with the majority of Member States. But in view of the UK interest in an early conclusion to negotiations we should support this Danish initiative.

The Prime Minister might wish to say:

- Copenhagen should build on useful progress made at the Ministerial meeting with the applicants in margins of last week's FAC. Must break back of negotiations in second half of this year. At absolute minimum, conclusions language should stress need for decisive progress under Belgian Presidency.
- A target date for accession will keep all those involved in negotiations up to mark. Conclusions should refer to aim of accession by 1 January 1995 (even if we think it may be difficult to achieve).

Structural Funds

Mr Reynolds may raise the importance he attaches to progress on Structural Funds. An ambitious timetable has been set for the revision of the rules governing the funds which would mean adoption of the new Regulations by 1 August. Although they have been lackadaisical about the revision of the funds, the Danish Presidency is now looking for a commitment to this timetable at the European Council. The Prime Minister has indicated to the Danish Prime Minister that we could accept this. However, a number of difficult issues remain. Chief among these will be agreement on a new list Objective 1 (lagging behind) regions which receive the lions share of the funds. (The UK's bids for Merseyside and the Highlands & Islands of Scotland have been included in the Commission's proposal but have yet to be agreed by our partners. Further bids for Devon and Cornwall, Rural Wales and South Yorkshire are very unlikely to make any headway.) The UK is also fundamentally opposed to a proposed new category of funding (Objective 4) which would subsidise training of workers in restructuring industries. We object to this on the grounds that it diverts structural funds away from helping the long-term unemployed at a time of high unemployment and that it could distort competition.

If the Taoiseach raises this, the Prime Minister might wish to draw on the following points:

- Have an ambitious timetable to reach agreement on revision of the Structural Funds. Important we get it right since large sums are involved and this will be last chance before 1999;
- Do not expect European Council to discuss substance of revision;
- Would expect Ireland to benefit substantially from financing of structural funds agreed at Edinburgh;
- Welcome cooperation between Northern Ireland and the Irish Republic on local structural fund planning;
- Objective 1 status for Merseyside and the Highlands and Islands of Scotland of very important for the UK.

Russia

After two EC attempts to break the deadlock by improving their mandate, the Russians are still holding out for much more than the EC has offered, and showing little flexibility themselves. When Sir L Brittan visited Moscow on 4-7 June, Yeltsin complained of EC discrimination against Russia. He concluded that it would be out of the question for him to go to Copenhagen. The Copenhagen Conclusions will probably confirm the EC's wish to sign PCAs with Russia and other FSU states as soon as possible, and indicate support for reform. The Prime Minister may wish to say:

- Disappointing that negotiations for a Partnership and Cooperation Agreement (PCA) could not be concluded in time for Copenhagen European Council. But better to have a good Agreement than a rushed one. Community has already shown considerable flexibility. Russians must now reciprocate.

Central and Eastern Europe (CEE)

As envisaged by the Edinburgh Summit, the Council will be invited to endorse Commission proposals for strengthening relations with the Associate Countries (Visegrad Four plus Bulgaria and Romania). CEE expectations are high and it is important that we secure substantive conclusions language. Agreement has now been reached on most of the Commission's proposals. These include confirmation of the Community's commitment to the Associates' accession (with general, qualitative criteria for membership), enhanced political dialogue and measures to improve trade access to EC markets. The Irish have found trade liberalisation difficult, but see the need to help CEE and have done their best to be helpful. In April, French Prime Minister Balladur proposed an international conference on peace and stability in Europe. French thinking is becoming clearer and they have indicated that they will wish to raise the subject at Copenhagen. The French have also proposed more

the subject at Copenhagen. The French have also proposed more detailed entry criteria and called for an internal study on how CEE accession would affect EC finances etc. We should listen, but it is vital that the focus of discussion at Copenhagen is not drawn away from the Commission proposals. The Prime Minister may wish to say:

- Close to agreement on Commission's proposals for strengthening relations with CEE following last week's Foreign Affairs Council.
- CEE expectations high. Copenhagen should send a clear, positive and welcoming message to CEE.
- Trade liberalisation measures modest. Vital for CEE that these should not be watered down further.
- Expect French to raise their initiative on peace and stability in Europe at European Council. Interesting but should not be allowed to upstage Commission's proposals.

Sudan

Our own relations with the Sudanese government are strained. We terminated developmental aid following Khartoum's decision to release the bombers of the Acropole Hotel (a group of Palestinian terrorists convicted for killing, among others, five British aid workers). Since then there have been a number of reports alleging a connection between the Sudanese Government and international terrorist organisations, and in particular that Sudan is providing a site for terrorist training camps. Also, relations between Khartoum and Tehran have thickened over recent months. Iranian military advisers are present in the country, and there have been reports of the Iranians providing arms. It is not clear how far the Irish share this analysis (their present concern with Somalia is purely humanitarian). On Iran, as demonstrated by officials' willingness to swallow the line peddled by Vice-Foreign Minister Vaezi during a recent visit to Dublin, the Irish tend to be naive.

The Irish have worked hard over recent weeks to attract international attention to the humanitarian crisis in Southern Sudan. The Irish Minister of State for Development Cooperation, Tom Kitt, visited Sudan (including the South) from 21 to 25 April. Following lobbying the UN Secretary-General has now appointed a senior coordinator for Sudan. His remit is primarily humanitarian, but we (and the Irish) hope that he can also breathe fresh life into the Nigerian peace initiative. The Nigerians hope to reconvene peace talks on 19 June. We should wait to see how the Nigerian initiative and the UNSG's Special Coordinator fare before contemplating recourse to the UN Security Council. We are also channelling attention through the EC: at the UK's suggestion, a Troika mission of humanitarian Ministers will visit the region from 17 to 23 June. The EC have also been prominent in working for the appointment of a UN rapporteur to investigate human rights abuses in Sudan.

The Prime Minister may wish the Foreign Secretary to give the Irish background on our relations with the Sudanese. On aid he might say:

- Grateful for the effort which the Irish Government has exerted to mobilise international concern at the humanitarian crisis in Sudan.
- Your Minister for Development Cooperation made an important visit to Sudan - including the South - in April. Helped focus Partners' attention on the crisis. EC Troika Humanitarian mission going to the region tomorrow.
- Have urged others to increase pledges for humanitarian aid. We are ready to do more.
- Vital that we keep up pressure on the Khartoum régime and the SPLA factions to engage seriously in peace negotiations. Must also keep pressure up on Khartoum on human rights: hope UN Special Rapporteur on human rights can visit Sudan soon.
- EC action helped secure appointment by UN Secretary-General of senior coordinator for Sudan. Remit primarily humanitarian. But hope that he can also further the peace process.
- [If raised] Have not ruled out recourse to the UN Security Council. But do not consider that we have reached that stage yet. Must see how present Nigerian initiative fares.

Somalia/Peacekeeping

Somalis demonstrating against the UN action were fired on by UK Pakistani troops on 12 and 13 June. On the first occasion 12 demonstrators were reported to have been killed and on the second some 20 were killed and 50 injured. The UN command in Mogadishu has announced an investigation into these events.

The Prime Minister may wish to make the following points:

- HMG deeply regrets all loss of life in Somalia and condemns those warlords who provoked recent events.
- Welcome SCR 837. Essential that anti-UNOSOM activities by Somali warlords brought under control. FAC statement also welcome.
- Welcome Un announcement to investigate tragic shooting of Somali demonstrators on 12 and 13 June.
- Imperative that a stable security situation exists in order that rehabilitation and reconstruction efforts can continue.