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Foreign &
Commonwealth
Office

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London SW1A 2AH

24 September 1992

Dear Stephen,

Prime Minister's talks with Mr Reynolds: 25 September

Mr Reynolds is calling on the Prime Minister at 1200 for talks which will continue over lunch. Mr Reynolds has requested a 20 minute tete-a-tete on arrival to discuss "security issues". He will then be joined by Mr Padraig Flynn (Minister of Justice), senior officials Dermot Nally (Secretary of Government), Noel Dorr (Secretary of Foreign Affairs), Sean O'hUigin (Head of Anglo-Irish Division, DFA) and by the Irish Ambassador, Joseph Small.

AGENDA

The Irish have agreed that the talks should cover:

- I Northern Ireland
- II EC issues
- III Any other business

Briefing on Northern Ireland and a draft communique, agreed with the FCO, will be sent by the NIO. This briefing covers EC matters.

EC ISSUES

Commenting on the result of the French referendum, Mr Reynolds stressed the need for Member States to complete the ratification process, and announced that the necessary legislation would be put before the Irish Parliament early in their next session from 7 October. He added that the turbulence of the last week had underlined the need for "strengthened integration in the monetary, economic and political spheres, based on firm programmes of economic and monetary convergence and of social and economic cohesion, for which the entry into force of the Maastricht Treaty can pave the way".

On the Birmingham Summit, the Prime Minister may wish to take the following line with the Taoiseach:

- Clearly many EC citizens are anxious about the way the Community is developing. Must address these anxieties.

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- UK still committed to the Maastricht Treaty. But in the present climate we face real difficulties steering our ratification bill through Parliament. As I told the House yesterday, must await clarification of Danish way forward and progress on dealing with public concerns.

The Taoiseach may ask how we propose to handle future financing. The narrow "yes" ought to strengthen the need for a modest settlement. To achieve this the Irish and other Southerners will need to be more realistic in their cohesion demands. With chronic and rising unemployment, the Irish priority in the negotiations has been to increase cohesion expenditure, which already accounts for over 2 percent of Irish GNP (overall, Irish net receipts from the Community make up around 7 percent of Irish GNP).

The Prime Minister may therefore wish to say:

- Narrowness of French vote means we must take care in imposing new burdens on the Community's citizens. Future financing is a case in point.
- We are all committed to working for future financing agreement at Edinburgh and stand by our Maastricht commitments, including cohesion. Many Member States feel the Commission's proposals go way beyond what was agreed at Maastricht. Unless Ireland and others reduce their expectations, difficult to see how we can make real progress.
- Discussions so far have staked out national positions. Hope we can move to negotiation phase after Special European Council.

A short background note on the political scene in the Republic of Ireland is at Annex A.

I am copying this letter to William Fittall in the Northern Ireland Office and to Melanie Leech in the Cabinet Office.

*Yours ever,
Christopher Frutkin.*

(R H T Gozney)
Private Secretary

*I also enclose a copy of
David Blatherwick's scen-setting
telegram - Dublin Telno 409.*

J S Wall Esq
10 Downing Street

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