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ROINN AN TAOISIGH



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Meeting between the Taoiseach and Prime Minister Thatcher
in Downing Street, 13 June 1990

The Prime Minister was accompanied by her principal Private Secretary Powell. The Taoiseach was accompanied by the undersigned. The meeting took place over a working lunch, which followed substantial exchanges preceding the lunch. It was very relaxed and affable in tone. Although it was due to end at 2.15 p.m., it in fact extended until approximately 3.50 p.m. - from 12.45 p.m.

Points of note were:-

- (1) the Prime Minister's reading of the Russian situation following her recent visit, including her view that Kohl would be putting forward a proposal for a credit to Russia of \$7 bn. to get them over their present economic difficulties, in which the Community would be asked to join. The Prime Minister's view was that this money would best be given by way of grant - and in small amounts. She thought that if it were given in credits, it would never be repaid;
- (2) her view that sanctions on South Africa were irrelevant, as all the countries which purported to apply them, in fact, ignored them. South Africa was the best economy in Africa and every help should be given towards its development;
- (3) her repeated views as to the necessity to metamorphose the Commission into a professional civil service, without the power of initiative, whose job would be to service the Council of Ministers;
- (4) her strong view that no further legislative powers should be given to Parliament, whatever about conferring on them powers of monetary supervision and control of the Commission. She was totally opposed to the Belgian/German proposition that powers of co-decision be given to Parliament;
- (5) on the environment, her agreement that if there were to be movement, then all countries, including "Thailand and India" should move together. The Community has not the right to impose extra restrictions or costs on its industry - without corresponding moves elsewhere;
- (6) her agreement with the Taoiseach as to the need for the continuance of regular reports on implementation of directives, particularly those relating to the Internal Market;

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- (7) her statement that Britain was withdrawing its candidature for the Environment Protection Agency and the Trade Marks Office - now that agreement had been reached on the location of the Bank for Reconstruction and Development in London. She said that they were not going to "offend Luxembourg";
- (8) her statement of intent to tie sterling to the deutschmark, possibly following German economic and monetary union, which they would be watching to see how it affected the value of the deutschmark and interest rates. This was accompanied by a statement of her strong opposition to conferring powers on a European Central Bank. Neither would they have "anything to do" with Delors III;
- (9) her views on NATO - essential to keep the Atlantic relationship green - on the CSCE as the vehicle through which the countries of Eastern Europe, the USSR, the United States and Europe, - and the Council of Europe - as the forum in which the countries of Central and Eastern Europe could get together;
- (10) her agreement that something could be included in the Community on the International Atomic Energy Authority on powers on inspection of nuclear stations - in Eastern Germany?;
- (11) her objection to the idea of a European police force "above our police forces";
- (12) her appreciation of the Taoiseach's condolences on the recent murder of soldiers and on Lord O'Neill's death. There was also some very brief discussion on Northern Ireland;
- (13) her agreement on a "anodyne" statement on China - with possibly a statement on the USSR - depending on the situation at the time of the Summit. They wish, in particular, to encourage the drawing up of association agreements with the countries of Eastern Europe, particularly Poland, and Hungary, as well as Czechoslovakia. They will also be looking for the Commission report on German unification.

Following some general comments by the Prime Minister on her attendance that morning at the opening of the Great Ormond Street hospital, towards which private sources had contributed more than £52m, the Prime Minister went on to describe her Russian visit.

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Prime Minister: Popov is a most remarkable person. He and Gorbachev are now singing the praises of Milton Friedman. They were saying "You can't have a market economy without the right to private property". They were quite unequivocal on this.

Now they have trouble with the Ukraine. It has been repressed for years. Now it has the right to express itself. There is no administrative structure of Government there. Nobody quite knows how relations between the Republic and the Centre are governed. Yeltsin is deeply involved in this sort of operation. He has recently passed, or asked for, a law repealing legislation passed by the Central Government. That just is not possible - constitutionally.

They still have no concept of how to run things. There are no goods in the shops. They are decreeing increases of 200% in the price of bread - ignoring the fact that the country is made up of a vast number of different regions in which different conditions obtain. The Ukraine is not accepting this type of dictate and will not accept the 200% increase which the USSR is trying to impose everywhere.

I think that Gorbachev will soon be asking for money. I want to help him. But he has no framework on which to operate. There are no companies, no banks, no tax incentives or proper systems of taxation and no private property. They just haven't got the know-how. They have no professional civil service. Gorbachev thinks up an idea and speaks about it but there is no-one to carry it out. He then goes away and in a few day's time thinks up another idea and talks about it also. He is concerned about the relationships between NATO and the Warsaw Pact. We must think of how to help Gorbachev and allay their fears.

I was in Kiev and while there visited Babyna(?) Valley. The Germans were there in 1941 and 1942. They ordered all the Ukraine mothers and children in the area into the valley and murdered 30,000 of them together. The Russians lost 27 million people, dead, in the war. Kiev when the Germans occupied it in 1941 had a population of 850,000. When they left in 1943 the population was 150,000.

Taoiseach: That lingers!

Prime Minister: Of course - and with us also. Now - to Europe. Please tell me about what is happening.

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Taoiseach: Things are on course. I don't think you will have any great problem. As we see things now, the main agenda will be political union, economic and monetary union, the environment, drugs, the seats of the institutions and, later, South Africa.

Prime Minister: Yes, sanctions. They are totally irrelevant. Do you not see what countries are doing behind their silence?

Taoiseach: There is a fair degree of support for some signal of encouragement for De Klerk.....

Prime Minister: Yes, the French, the Germans, the Japanese will all talk of supporting sanctions. But what are they doing in practice? There are more German and Japanese cars in South Africa now than there are in Europe....

Taoiseach: There was a general feeling that we should give De Klerk some positive support.

Prime Minister: Yes - of course. Not only that - what they most need is investment. You cannot get the standard of living up without investment. The best economy in Africa now is South Africa. And Europe?

Taoiseach: On political union, we asked Foreign Ministers to give us a paper on the co-ordination of foreign policy. Most people seem to have been fairly happy with this.....

Prime Minister: It won't make a blind bit of difference. You will always have Kohl/Mitterrand's statements on foreign policy.

Taoiseach: We will not have much trouble in taking your point on board - about what political union is not to be.

Prime Minister: The word is wrong. What we are talking about really is EPC.

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Taoiseach: On EMU, we should welcome the first stage on 1st July; and say that ECOFIN will take up the work from there, under the Italian Presidency. Incidentally, the ECOFIN Ministers yesterday had a breakthrough on tax legislation for corporations. After 21 years -

Prime Minister: (apparently misunderstanding) - we don't want worker participation.

Taoiseach: No, not that. What happened is regarded as a good breakthrough.

Prime Minister: Is it doing away with restrictions? I am not having Papandreu telling me how I must manage part-time workers and night shift workers and all that sort of petty interference -

Taoiseach: - then went on to explain what the three directives had dealt with.

Prime Minister: The Commission was necessary for the European Community to start off but it is a totally non-democratic power structure now. It is not responsible to the European Parliament or to any other parliament. What we need there is a proper professional civil service to serve the Council of Ministers. We must metamorphose it into that.

Taoiseach: I don't disagree. We don't want any more powers for the European Parliament, at any rate.

Prime Minister: Caput! It is not a parliament at all....

Taoiseach: Your idea about giving it powers of control seems a good one.

Prime Minister: Yes, they should have powers of inspection of the Commission. Eastern Europe is trying to get to a democratic system. And who is dealing with them? It is now Delors - a mere appointee.

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Taoiseach: Then we will ask him to report on the Internal Market in Dublin.

Prime Minister: That is the biggest thing. But no matter what happens the cultural differences will remain. The Italians will continue not to pay taxes.

Taoiseach: We must see that we do not just pass directives: we must see that they also get implemented.

On that, Britain is at the head of the league. We will have to get the others up to speed. Then on the environment -

Prime Minister: First, on that, we must all move together, including the developing countries. We can't put restrictions on our industry when Thailand, and India, and other countries, take advantage of what we are doing. There must be a systematic approach. We can't impose increased costs on part of industry in the world and not on other parts. Water, beaches, incineration at sea, sludge, etc. - they are all involved. We must not seek to complete at the earliest date. We must seek steady progress and complete the work steadily.....

Taoiseach: I accept what you say about the need to review all directives. Many countries are talking about doing things but are not actually doing them.

Prime Minister: Yes - we must continue the regular reports on implementation.

The UK, the Dutch and you - we have the same type of law. We have a common law heritage - where courts are required to look at texts. It is different in Europe. Look at what the European Court is doing. Its judgements are giving more powers to the Commission -

Incidentally, your Commissioner MacSharry is doing a very good job. The French have bovine rabies and a disease called la Vache Tremblant but they won't admit it. Your cattle raising methods are nearer to nature than ours....

The days of appointed Commissioners must be numbered. We must give power to the Council of Ministers: I am not handing over authority to a non-elected bureaucracy.

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Taoiseach: I know your view that the Council of Ministers, by representing national parliaments, gives democratic legitimacy.

Prime Minister: Germany is buying support in this. She is dealing with Portugal, the Greeks, and others...

Taoiseach: On the Structural Funds, we had a run in recently with the Commission. On the operational programmes, they are seeking to go behind the government decisions and enter into every detail of the programme.

Prime Minister: They would. They are just a new Politburo.

Taoiseach: The Commission set up the original Structural Fund allocation of approximately £2.8m for Ireland and then took a reserve for themselves. They are trying to deal direct with our authorities - like Bord Failte Eireann and local authorities - overriding the national government, in relation to this reserve -

Prime Minister: And they are a non-elected bureaucracy.

Taoiseach: They are going to our local authorities and inviting groups over to Brussels. They are going behind the back of the government.

Prime Minister: The deciding body must be the Council of Ministers. We must take away the power of initiative of the Commission. Can we get this through?

Taoiseach: I don't think so. There is another appalling proposal in the second draft on the document on political union. This is the Belgian/German suggestion on co-decision. We will be relying on you.

Prime Minister: Yes. On German union, Mitterrand, Gonzalez, and ? were all against rapid unification, along with me. But I was left to oppose the proposals singlehanded. Now I tell them all you got what you didn't want.

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The meeting then broke for lunch, over which there was some discussion on Calvaco Silva, Gonsalez, Lubbers and van den Broek.

Taoiseach: On the institutions, I am not putting too much of my money on progress. There is great difficulty with Luxembourg/Strasbourg and Eurofed. I would like to get decisions on the Environment Protection Agency, and possibly on the Trade Marks Office - but I am not completely optimistic.

Prime Minister: We were looking for the Trade Marks Office and the Environment Protection Agency but now that we have got the BERD we will not be pushing our case for these. We are not going to offend the Luxembourgers.

I am getting completely fed up with the European Community trying to tie us up with bureaucratic regulations. We are trying to get Eastern Europe to accept democratic standards and here we are re-creating our own Politburo! They are just too much.

Taoiseach: France has had too much. It has the seat or the director or secretary-general of the European Parliament, the OECD, the Council of Europe, the IMF, and the Commission.

Prime Minister: We must not let down Luxembourg.

On the deutschmark, I do not know how German economic and monetary union will affect the value. Or how interest rates will be affected. I am, however, certain that a European central bank is not going to decide on our economic or financial policy. We are not giving that power to central bank governors. Our aim is to keep inflation down. That is why we are aiming to go for the deutschmark. The Germans have had experience of inflation and they keep their currency like a gold standard. But that does not mean that we accept a central bank of the Twelve. They would not have the same will to fight inflation as the Germans have. They would think of economic growth and jobs and inflation - as equal objectives, and mix them all up. All we want is an effective gold standard - and the deutschmark provides us with that.

Taoiseach: What do you think of the proposals for the co-ordination of economic policies?

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Prime Minister: We are not going to be dictated to. We want a gold standard and the deutschmark does it. If you give away your powers of taxation, you have lost your sovereignty. In talking of a single currency, Delors must have had a rush of blood to the head. We are not going to have a single currency.

Powell mentioned the Goldsmith speech at this point and its reference to a cartel arrangement. The Prime Minister asked about the Greenspan speech and added that a single currency is not necessary. We will have nothing to do with Delors III.

Taoiseach: What are your views on NATO and the CSCE?

Prime Minister: NATO is vital. We have had 45 years peace in Europe now - longer than ever before - due to NATO. We have to keep it to keep the Atlantic relationship green. NATO is vital and it is vital that a united Germany be in NATO. People talk about a free trade area with the US and Canada and possibly Mexico. If we do not go in this direction, then the Americans may well join up with Japan. NATO is the forum in which we can discuss things with the United States.

And the CSCE is the only organisation through which we can have regular political consultations involving the US, the USSR, and all 35 countries together. I am suggesting that Foreign Ministers should meet in that framework twice a year.

Then the Council of Europe is the framework in which the countries of Eastern Europe could join together. We don't need new institutions.

Taoiseach: I was thinking of inviting De Maiziere to Dublin.

Prime Minister: You can't.....

Taoiseach: Only to the lunch.

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Prime Minister: I believe that Kohl will be raising at the Group of Seven meeting the question of a loan of £7 bn for the USSR for consumer goods. They won't pay that back. I would prefer to see aid being given in smaller amounts, by way of grant. He will talk about the contribution Germany is making towards the cost of keeping Russian troops on German soil and say that is his contribution and he will use this argument to try and get contributions from the countries of the Community. But we are all helping Eastern Europe at present. And the Portuguese will say "What about us?" I know that it is necessary to keep Gorbachev in power but we must think.

Taoiseach: On a nuclear inspectorate, there are many dangerous power plants in Eastern Europe. Countries are worried about this - like the Danes and the Luxembourgers.

Prime Minister: Helmut told me that they were closing two plants in East Germany. They aren't safe.

Taoiseach: What would you say to a nuclear inspectorate?

Prime Minister: We have an inspectorate of our own. We have one operated through the International Atomic Energy Agency which does inspection work. France does not like going through that. Why put in another system?

Taoiseach: The proposal is that they monitor nuclear stations.

Prime Minister: Inspectors are rare birds. They have particular qualifications. We have had to increase their pay very much to get them - I suppose there would not be much objection to spot check monitoring.

Taoiseach: On the question of drugs, Kohl mentioned a police force, like a European FBI. I think he regretted using that phrase.

Prime Minister: What about Interpol? We cannot have a police force above our own police forces.

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Taoiseach: What I think he is talking about is some form of syndicate or co-operation.

Powell: There is something due on the policing side before the end of the year - some form of report.

Taoiseach: The Celad had produced a report which we will be considering at Dublin.

Prime Minister: It would have to deal with violent crime as well. I think Kohl would go along with that.

Taoiseach: Let me say now how sorry I was at the recent deaths of so many soldiers. Also I would like to convey my sympathy on what happened at Lord McAlpine's house.

Prime Minister: Yes. He had a daughter of seven. He has left the house for some time.

Taoiseach: Secretary of State Brooke is making a great effort.

Prime Minister: Yes. He is honest in every way.

Taoiseach: And skilful.

Incidentally, Portugal mentioned that she might be raising the question of China at the Dublin Summit.

Prime Minister: Yes. They have some concerns in Macao.

Taoiseach: What do you think?

Prime Minister: Yes. We could have some anodyne things in a statement. They cannot remain immune from the democratic process forever. I have been thinking of Gorbachev and glasnost. Maybe he got things in the wrong order. He gave powers of criticism before he had got his economy right.

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Taoiseach: Will we need a statement on the USSR
in Dublin?

Powell There is a lot to be said for
something on Eastern Europe - to encourage association
agreements.

Prime Minister: Yes - particularly with Poland and the
question of their borders. Germany is playing a very
devious game here. Also with Hungary - I have spoken to
Nemuth. Czechoslovakia, with Havel, is also worthy of
attention. Have you read his speeches?

There then followed some general discussion on the East
German negotiation and on German tactics during the war,
as well as some more general conversation.



Dermot Nally

14 June 1990

c.c. Secretary Cromien, Department of Finance.

Secretary Dorr, Department of Foreign Affairs.

Assistant Secretaries Murphy and Barrington,
Department of Foreign Affairs.