

CONFIDENTIAL
FM MADRID
TO IMMEDIATE FCO
TELNO 458
OF 111645Z MAY 89
AND TO IMMEDIATE UKREP BRUSSELS
AND TO PRIORITY OTHER EC POSTS

FRAME ECONOMIC

MADRID EUROPEAN COUNCIL

SUMMARY

1. SPANIARDS EXPECT EMU TO DOMINATE THE EUROPEAN COUNCIL, WITH DECLARATIONS ON SOCIAL DIMENSION AND DEBT. INFORMAL ECOFIN AND GONZALEZ MEETINGS WITH HEADS OF GOVERNMENT WILL BE DECISIVE.

DETAIL

2. ON 10 MAY I CALLED ON JUAN ANTONIO YANEZ, PRIVATE SECRETARY TO FELIPE GONZALEZ FOR INTERNATIONAL AFFAIRS, TO ASK HIM ABOUT PLANNING FOR THE EUROPEAN COUNCIL.

3. YANEZ SAID THAT THE SPANIARDS HAD NO DEFINITE IDEAS YET ON THE FINAL SHAPE OF BUSINESS AT THE EUROPEAN COUNCIL. THE ROUND OF MEETINGS WITH HEADS OF GOVERNMENT WHICH GONZALEZ WOULD BE MAKING BEFORE THE MADRID MEETING WOULD BE CRUCIAL. THE INFORMAL MEETING OF FINANCE MINISTERS WOULD OBVIOUSLY ALSO BE VERY IMPORTANT, IN DECIDING ON THE HANDLING OF EMU, FISCAL AND DEBT ISSUES.

4. YANEZ SAID THAT GONZALEZ BELIEVED THAT THE MADRID EUROPEAN COUNCIL WOULD BE JUDGED BY ITS DISCUSSION OF THE DELORS REPORT. THIS WOULD BE FAR THE MOST IMPORTANT ITEM ON THE AGENDA. FOR THAT REASON, THE SPANIARDS WERE PLANNING TO DEVOTE ONE WHOLE SESSION TO THIS ISSUE SO AS TO GIVE IT A SUBSTANTIAL AIRING. THEY HOPED FOR SOMETHING GOING BEYOND A DEBATE, IN THE FORM OF AGREEMENT ON A PROGRAMME OF ACTION OF SOME KIND FOR THE FUTURE. SPEAKING PERSONALLY, HE DID NOT BELIEVE THAT THERE WOULD BE A STRONG CALL AT MADRID FOR AN EARLY IGC, WHICH HE THOUGHT WOULD IN ANY CASE BE HIGHLY PREMATURE. EMPHASIS WOULD BE ON THE FIRST OF THE THREE PHASES OUTLINED BY THE REPORT.