

PO-CH/W4/0559

PART A

Part . A .

CONFIDENTIAL

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Begins : 29/7/88

Ends : 5/10/88

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PO - CH | NL | 0559.

PT.A.

Chancellor's (Lawson) Papers:

The European Community: The Governments Record and Objectives.

DD'S: 25 years

[Signature]

26/4/89

PO - CH | NL | 0559. PT.A.

From: The Rt. Hon. Sir Geoffrey Howe, QC MP



HOUSE OF COMMONS
LONDON SW1A 0AA

Personal & Confidential

29 July, 1988

C. Andrew Tyrie has already embarked on the requests on p. 2. Shall I ask officials for factual contributions to the first 2? Discuss in Prayers in Sept?

Handwritten initials and marks:
A large red looped signature or mark.
The letters "psw" written in red.
The letters "AAH" written in black.

Handwritten signature: Sir Nigel

I have been asked by the Prime Minister to coordinate the preparation of the Conservative Manifesto for the 1989 European Elections.

In order to help me in this task, I have formed (in collaboration with Peter Brooke) a small Committee which will undertake the detailed work of drafting a text between now and next Spring. The Manifesto Committee will work alongside Peter's existing Steering and Campaign Committees, which are charged with the organisational aspects of the campaign and the preparation of all other publications. Peter Lilley and Andrew Tyrie will be serving on the Manifesto Committee to represent the Treasury view.

Before we start drafting the Manifesto, we have to identify in some detail the main areas of Conservative achievement in Europe over the last five years, and to map out the policy objectives which we might consider for the next five years. As in the 1987 general election Manifesto, we hope that past achievements and future commitments will be clearly linked, to project the image of a party which knows what it wants and has a proven track record of getting it.

The Rt Hon Nigel Lawson MP

In this work, the input we receive from Cabinet colleagues will be very important. The significance of the Treasury's contribution will be especially great given the central place of sound finances, tax harmonisation and monetary issues in the current European debate. For this reason I am writing to invite you to put in hand within your department three immediate pieces of work.

The first is a compendium of the main European achievements for which the Government can claim credit within your area of responsibilities since 1984. These might include our effect both on the general agenda of the Community and on specific legislation adopted.

The second is a succinct statement of the current European policy objectives of your department, with copies of any documents (from White Papers to speeches) which include clear statements of your European goals.

The third thing we need is an initial set of thoughts about what new policy commitments might be incorporated in the 1989 Manifesto.

I would be grateful if you could arrange for the first two sets of documents to be provided by the end of September, and for your thoughts about new policy commitments to be communicated by the end of October. I am asking Christopher Prout to give a similar input from the EDG. On the basis of the material collected, we should be able to begin the detailed process of drafting a Manifesto for the European Elections next June.

My Special Adviser, Anthony Teasdale, will be collecting departmental submissions to the Manifesto Committee. You may wish to ask your own Special Adviser to talk to him about the logistical details of this exercise.

[Handwritten signature]

GEOFFREY HOWE

UNCLASSIFIED



6/19

FROM: A P HUDSON

DATE: 2 August 1988

MR MERCER

cc PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Sir G Littler
Mr Lankester
Mr R I G Allen
Mr Mortimer
Mr Tyrie

EUROPEAN COMMUNITY: THE GOVERNMENT'S RECORD AND OBJECTIVES

The Chancellor would be grateful for a note covering the Government's achievements and objectives within the EC, over the past five years, within the Treasury's sphere of responsibility.

- On the achievements side, as well as specific advances, and specific legislation adopted, it would be helpful to note areas where the UK has had an effect on the general agenda and approach of the Community.
- On the objectives, it would be helpful to back up the list, where possible, with references to any documents (White Papers, speeches etc) where these objectives are set out.

2. The Chancellor would like to reflect on the list prior to the informal ECOFIN in September. So please could we have it, if possible, by Friday 2 September?

APH

A P HUDSON

APW ← bf 16.9

MR A P HUDSON

FROM: M C MERCER
DATE: 19 AUGUST 1988

cc: PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Sir G Littler
Mr Lankester
Mr R I G Allen
Mr Mortimer
Mr Tyrie
Mr Evans
Mr Parkinson

EUROPEAN COMMUNITY: THE GOVERNMENT'S RECORD AND OBJECTIVES

You asked in your minute of 2 August for a note on the Government's achievements and objectives, over the past five years, within the Treasury's sphere of responsibility.

2. I attach two lists, one on EC finance and the budget and the other on single market/ECOFIN subjects; I am indebted to Mr Evans and Mr Parkinson respectively for compiling them.

M. C. Mercer

M C MERCER

EC BUDGET

OBJECTIVES/ACHIEVEMENTS 1984-1988

Limit on UK's Net Contribution (Fontainebleau Abatement)

- UK has placed priority on achieving a fairer basis for its contributions to EC budget.
- June 1984 European Council at Fontainebleau agreed new mechanism to reduce UK's net contribution.
- Over period 1985-1988, abatements worth £4½ billion.
- February 1988 European Council agreed to preserve Fontainebleau system (subject only to technical modifications to take account of the new structure of own resources agreed at the same time).
- June 1988, legal texts to implement these arrangements agreed by Council, subject to approval of national parliaments.

- [References:
- (i) Commons Hansard 25 June 1985, col.798 - Second Reading speech on Bill to ratify, inter alia, continuation of Fontainebleau system;
 - (ii) Commons Hansard 15 February 1988, col.705 - Prime Minister's statement on February European Council].

Control of Community Expenditure

- UK has repeatedly stressed need for control of EC budget expenditure, especially on agriculture.
- In 1987/88 negotiations on future financing of Community budget, UK made clear that it would not agree to any increase in own resources without effective and legally-binding controls on spending.
- February 1988 European Council agreed a number of such controls - subsequently enshrined by the end of June 1988 in legal texts - notably
 - a legally-binding guideline for agricultural guarantee spending, which will grow at some three-quarters of the rate of growth of Community GNP;
 - abolition of the provision for increasing expenditure above the guideline in exceptional circumstances (in future, there will be a specific and limited monetary reserve for agricultural spending to take account of one factor only - substantial in-year changes in the dollar/ecu exchange rate);
 - stabilisers to control output and spending in all the main agricultural commodity regimes, generally taking the form of automatic price penalties if agreed quantities of production are exceeded [MAFF lead];
 - subceilings on own resources rising from 1.15 per cent of Community GNP in 1988 to 1.2 per cent in 1992 which, given the limits on agricultural spending, will constrain other spending by restricting the amount of resources available for it;
 - a number of measures to tighten up budget management.

- · In June 1988 the Council, Commission and European Parliament also reached an inter-institutional agreement - in line with the conclusions of the February European Council - which aims to reinforce budget discipline and improve the budgetary process.

[Reference: Commons Hansard 15 February 1988, col.705 - Prime Minister's statement on February European Council].

SINGLE MARKET / ECOFIN

Government's achievements and objectives within the EC in the Treasury sphere

1984 : the March Brussels European Council discussed new priorities including breaking down remaining barriers to the common market and liberalisation of trade and services.

: the simplified single administrative document for controlling exports and imports of Community goods was accepted in principle in March (and agreed in December). An increase in the limit for goods bought tax paid was agreed in April.

1985 : the March European Council adopted a target of 1992 for completion of the internal market; the Commission issued in June a White Paper on the internal market programme. The Milan European Council in June reaffirmed its commitment to the 1992 target and identified priority areas. These decisions reflected efforts made by the UK Government to establish completion of the single market as a Community priority.

: in June central bank governors agreed on a package of measures to improve the usability of the ecu for official Community transactions, and to allow certain non-member states' central banks and international monetary institutions to acquire official ecus.

: in June the Board of Governors of the EIB agreed a doubling of the subscribed capital of the Bank.

: in June a number of increases in travellers' allowances were agreed.

: in December the Council endorsed a rolling Presidency action programme for 1986 on the internal market (originally proposed by the UK).

: in November ECOFIN agreed measures to liberalise the marketing of unit trusts throughout the Community.

1986 : the Single European Act was signed in February, containing measures to complete the internal market by 1992, making it easier to break down the remaining barriers to trade and the provision of services (a UK objective).

: in February the Commission agreed to adopt a system which will enable member states to assess the costs to business of compliance with Community regulations (deregulation is a UK objective).

: under the UK Presidency a then record 48 single market measures were agreed.

: in November ECOFIN agreed a directive abolishing a number of restrictions on the movement of capital in the EC.

: also in November ECOFIN agreed a new Community lending facility ^(NIC IV) for small and medium-sized enterprises (1500 mecu raised by the Commission and EIB) ^{SMEs are} (one of the main sources of new jobs).

1987 : in July the Council agreed a UK request for a derogation from certain provisions of the sixth VAT directive providing for cash accounting for VAT for small and medium-sized businesses.

: in September the Governors of the central banks of the member states agreed on a number of measures to strengthen the operating mechanisms of the EMS, and agreed to strengthen the procedure for joint monitoring of economic and monetary developments and policies.

1988

: a record 56 single market measures were agreed under the German Presidency, including the full liberalisation of capital movement in the Community and measures in the fields of public purchasing and non-life insurance.

: the Hanover European Council reaffirmed commitment to the single market and identified four priority areas including public procurement and financial services. The Delors Committee was set up to study concrete stages towards economic and monetary union, without specific reference to a European Central Bank or common currency.

PERSONAL AND CONFIDENTIAL

CHANCELLOR

C.
Lists ~~sent~~ provided initially by officials.
Mr. [unclear] OK subject for deletion. - AH

FROM: A G TYRIE
DATE: 30 September 1988
cc: Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Call

EUROPEAN COMMUNITY: THE GOVERNMENT'S RECORD AND OBJECTIVES

The Foreign Secretary wrote to you before the summer recess asking, by the end of September, for:

- a compendium of Government achievements in Europe in the Treasury area.
- a succinct statement of current European policy objectives.

2. I have put together the attached which, with your approval, I will send to the Howe group. On my list of Conservative objectives (iv) is definitely of a lesser order than the first three - still worth mentioning? A fifth candidate, which I have not included, would be the protection of zero rates pledged during the last General Election. Would you like that tacked on?

3. The Foreign Secretary also asked, by the end of October, for 'an initial set of thoughts about what new policy commitments might be incorporated in the 1989 manifesto'. I am putting in a separate note on this.

AGT.

A G TYRIE

MAIN CONSERVATIVE OBJECTIVES OVER THE NEXT FIVE YEARS IN THE ECONOMIC SPHERE

- (i) Safeguard the basis for contributions to the EC budget;
- (ii) Develop greater control over EC budget spending, particularly on agriculture;
- (iii) Secure the completion of the internal market by breaking down the remaining barriers to trade in goods and services, while maintaining free trade with countries outside the community;
- (iv) secure a reduction in the compliance burden of community regulations, particularly on business and, wherever possible, by deregulation.

EC BUDGET

ACHIEVEMENTS 1984-1988

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- June 1984 European Council at Fontainebleau agreed new mechanism to reduce UK's net contribution.
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- June 1988, legal texts to implement these arrangements agreed by Council, subject to approval of national parliaments.

- [References: (i) Commons Hansard 25 June 1985, Col. 798 - Second Reading speech on Bill to ratify, inter alia, continuation of Fontainebleau system;
- (ii) Commons Hansard 15 February 1988, Col. 705 - Prime Minister's statement on February European Council].

Control of Community Expenditure

- In 1987/88 negotiations on future financing of Community budget, UK made clear that it would not agree to any increase in own resources without effective and legally-binding controls on spending.
- February 1988 European Council agreed a number of such controls - subsequently enshrined by the end of June 1988 in legal texts - notably
 - a legally-binding guideline for agricultural guarantee spending, which henceforth will grow at some three-quarters of the rate of growth of Community GNP;
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 - a number of measures to tighten up budget management.

- In June 1988 the Council, Commission and European Parliament also reached an inter-institutional agreement - in line with the conclusions of the February European Council - which aims to reinforce budget discipline and improve the budgetary process.

[Reference: Commons Hansard 15 February 1988, Col 705 - Prime Minister's statement on February European Council].

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monitoring of economic and monetary developments and policies.

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: the Hanover European Council reaffirmed commitment to the single market and identified four priority areas including public procurement and financial services. ~~The Delors Committee was set up to study concrete stages towards economic and monetary union, without specific reference to a European Central Bank or common currency.~~

Not really a UK achievement.

AMH

That's what the CEE is all about!



FROM: A P HUDSON

DATE: 5 October 1988

MR TYRIE

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Tyrie
Mr Call

EUROPEAN COMMUNITY: THE GOVERNMENT'S RECORD AND OBJECTIVES

For the record, the Chancellor was most grateful for your 30 September minute.

2. He agrees with you that objective (4) is still worth mentioning, but that the protection of zero rates should not be added in this case.

3. On the list of achievements, he has deleted the last sentence about the Delors Committee.

A handwritten signature in black ink, consisting of stylized, overlapping letters that appear to be 'A P HUDSON'.

A P HUDSON