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Dr Arthur / Pa.
I discussed this with Mr Allen, and have bought most of it.

JD
6 September 1988

Mr John,

PRIME MINISTER'S BRUGES SPEECH: 20 SEPTEMBER

I attach a few Treasury comments on the redrafted speech attached to your minute of yesterday to Mr Arthur. The speech is, I think, a great improvement on the original. We are content with the draft CAP section circulated by MAFF.

Mr W,
RIG

R I G ALLEN

PRIME MINISTER'S SPEECH IN BRUGES

Comments by HM Treasury

Page 16, first complete paragraph. Re-draft the second sentence to read:

"Freeing resources, some £35 billion between now and 1992, to spend on developing the economies of the poorer Community Member-States and tackling problems of industrial decline and long-term unemployment."

Page 17, first complete paragraph. Substitute "management" for "audit". And after "common agricultural policy" insert "- and reducing its share of the budget -".

Page 19, final paragraph. Insert "not only" after "mean". At the beginning of the third sentence substitute "should be" for "is"; similarly at the beginning of the fourth sentence (on page 20).

Page 20. After the first complete paragraph, add a new paragraph, as follows:

"This will represent a great step forward towards creating a single capital market in the Community. And it will create freedom for the citizens of European countries to invest where they wish."

Foot of page 20, top of page 21. Re-draft this paragraph as follows:

"There are other early practical steps to be taken, such as fostering greater use of the private ecu. The British Government is this autumn issuing ecu-denominated Treasury bills, and hopes to see other Community governments increasingly make their own issues. Companies should find the ecu a useful practical device for hedging against currency movements, and so encouraging trade."

Page 21, penultimate paragraph. If you wish to strengthen the final sentence, it might be worth adding: "- it presupposes that individual governments are prepared to give up fundamental economic decisions - and I do not for a moment believe that most European countries want to go down that road."

Page 22, first paragraph. Might it be better to say, in the sixth line, "cannot abolish all frontier controls" rather than "cannot abolish frontiers"?

Europe and Defence section. DM - your old division! - are not entirely happy with this section. It gives a lot of ammunition to those in the US who want to cut US defence spending in Europe. It also has a number of statements in favour of higher defence spending by Europe. None of this is particularly helpful, especially to Treasury Ministers!

Page 25, first complete, paragraph. This gives ammunition to the US by accepting that Europe should do more. Delete "to do that" in line 6.

Page 25, first indented paragraph. This starts by giving more ammunition to the US. Delete "natural" in the third line and "particularly as Europe grows wealthier".

Page 26, first indented paragraph. The call for "stronger" conventional defence and the idea of matching Soviet conventional forces would be very expensive. Substitute "realistic" for "stronger" in the first line and "in the light of" before "to match" in the second line.

Bottom of page 26, top of page 27. Substitute "our overall defence effort" for "higher overall defence spending". The word "effort" is output oriented. The issue is not just about inputs (ie spending) but also about increased efficiency and productivity in defence.

Page 27, lines 8-10. This again gives ammunition to the US. Delete everything after "all are countries that" and substitute "if the need for a realistic response to the Soviet threat to Europe and to peace".