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1. cc (with draft text), Personal, by
fax to Sir D Hanney: UKREP

Sir P. Petrie: Brussels

Foreign and Commonwealth Office

London SW1A 2AH

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as yet)

7 September 1988

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15 SEP 1988

Dear Charles - 19/9 2. For again.

Prime Minister's Bruges speech: 20 September

In your letter of 31 August you asked for comments (in the form of specific drafting amendments) by 7 September on your draft of the Prime Minister's speech at Bruges.

The Foreign Secretary believes that the scope and structure of your draft is generally well-judged, though he would see advantage in the inclusion of a short additional passage picking up the future financing negotiation and explaining why it, and further CAP reform, matters. He is, however, concerned that the treatment of some of the sub-themes, particularly in the earlier parts of the speech, is such as to guarantee that there would be rejoinders and rebuttals on points of fact. This would detract from the powerful message of the speech. He therefore commends the attached revised version. We have had the text retyped for convenience, but you will see that many passages are wholly or largely as in your text.

The passages on the CAP, in the future financing and GATT sections, have been prepared under MAFF/Cabinet Office auspices, as suggested in your letter of 2 September.

I am sending a copy of this letter and enclosure to Alex Allan (HM Treasury), Brian Hawtin (MOD), Neil Thornton (DTI), Shirley Stagg (MAFF) and Roger Lavelle (Cabinet Office).

Jan,
Stephen Wall

(J S Wall)

Private Secretary

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PRIME MINISTER'S SPEECH

ON

EUROPE

IN

BRUGES

ON

20 SEPTEMBER 1988

First, may I say how happy I am to be back in this part of Belgium, and in very different circumstances from my last visit, shortly after the Zeebrugge ferry disaster, when Belgian courage and competence saved so many British lives.

Second, may I thank you for inviting me to deliver this address.

What better place to speak of the central issues of Europe's future than in a building which so gloriously recalls the greatness that Europe had already achieved over 600 years ago?

Perhaps I should also thank you for your temerity in inviting me to speak on the subject of Europe at all. If you believe some of the things said and written about my views on Europe, it must seem rather like inviting King Herod to speak on the subject of nursery education.

Britain and Europe

So I might start by disposing of some myths about my country, Britain, and its relationship to Europe.

To hear some people, you would think that Britain first interested itself in Europe some time in the late 1950s, was rebuffed by General de Gaulle's non, and finally limped into the Community in 1973 as an unconvinced member, wishing heartily that it could be somewhere else and since then has spent all its time arguing about its financial contributions.

Well, there certainly was a very real problem over our unfair share of the costs of the Community which had to be solved - and has been solved.

But that view of Britain's role is a travesty.

The fact is that Britain is, and has always been, part of Europe. Our links to the rest of Europe have always been the dominant factor in our history:

- the Celts, who first cultivated our land, came from the continent of Europe;

- for three hundred years we were part of the Roman Empire, and our maps still trace the straight lines of the roads the Romans built;

- the Anglo-Saxons came from the mainland, like the Danes whose place-names survive in much of Eastern England, including my native Lincolnshire;

- our nation was - in that favourite Community word - "restructured" under Norman and Angevin rule in the eleventh and twelfth centuries, and much of our language and tradition still bears a Norman stamp;

- from the sixteenth century, when Britain did indeed look outwards to a wider world, so too did much of mainland Europe: Portugal, Spain, France, Holland and Belgium. As all of us still do.

- for centuries, Britain was a home for people from the rest of Europe who sought sanctuary from tyranny;

And the history of British involvement in European wars is a history of resistance to the risk of Europe falling under the dominance of a single power.

We did not stand out against, or fight against,
Europe.

We fought for freedom.

Had it not been for those ready to fight for
freedom Europe would have been united long before
now.

But at what cost would that unity have been
achieved?

The British record is a proud one; stretching back the
600 years of our unbroken alliance with Portugal
in support of Portuguese freedom.

But we are no less proud of the part played by the Duke
of Wellington in helping re-establish Spanish
freedom 175 years ago.

And of London's encouragement to the Italian Risorgimento under Garibaldi and Mazzini. And of our more direct, and repeated, interventions to secure and maintain the independence of Greece.

And of the British assistance to brave liberation movements throughout the last war, which kept alive the flame of liberty in so many countries until the day of liberation came. I note that in Brussels tomorrow King Baudouin will attend an Anglo-Belgian commemoration of the brave Belgians who then gave their lives in service with the British Royal Air Force.

We are proud that it was from London that General de Gaulle issued his rallying-call to the French people.

And that it was from our island fortress that the liberation of Europe itself was mounted.

And that 70,000 British servicemen remain today on the European mainland, alongside our German allies, as part of the front-line defence of common freedoms.

A proud tradition of British commitment to the good of Europe, and the best in Europe. A commitment which has greatly benefitted Britain, but not I think only Britain. A commitment that is today as strong as ever.

Europe's Future

This is no arid chronicle of obscure historical facts.

It is the record of nearly two thousand years of British involvement in Europe and contribution to Europe.

Yes, we - and others - have looked also to wider horizons - and thank goodness we did, because

Europe would never have prospered and never will prosper as a narrow, inward-looking club.

But that does not diminish the fact that Britain is as full, as rightful, as wholeheartedly a part of Europe as any other member state of the European Community.

The European Community belongs to all its members, and must reflect the traditions and aspirations of all of them in equal measure.

And let me be quite clear.

Britain does not dream of an alternative to a European Community or of a cosy, isolated existence on its fringes. Our destiny is in Europe, as part of the Community - although that is not to say that it lies only in Europe, any more than that of France or Spain or indeed the Community itself does.

The Community is not an end in itself. It is the vehicle freely chosen by democratically elected statesmen to further the prosperity and security of our peoples.

It is not an institutional gadget to be endlessly modified in the search for theoretical perfection. It is the instrument by which Europe can ensure its future prosperity and security in a world in which many other powerful economies are emerging and in which increasing numbers of countries will have access to powerful and sophisticated weapons, including nuclear weapons.

The world will not wait for us.

We cannot afford to waste our energies on internal disputes: institutional debate is no substitute for effective action. Europe has to be ready both to ensure its own security and to compete - and

compete in a world in which success goes to the countries which show the greatest flexibility and guarantee the greatest freedom for the enterprise of their people.

I want this evening to set out five fundamental principles; and to derive from them five simple guidelines, respect for which will I believe ensure that Europe does compete and will succeed.

Strength through Diversity and Individual Freedom

My first guideline is: the Community's strength lies in its diversity: cherish it, don't damage it!

As we plan Europe's future, we should not be beguiled by existing institutional models - federations, confederations, unions or unitary states. As Jean

Monnet said, in building the Community we are engaged on a task quite without precedent. We must avoid all institutional strait-jackets.

Some of the founding fathers of the Community thought that the model might be the United States of America. In the historical circumstances of the time, in which the United States of America had played such a crucial part in the victory of democracy, it was natural that they should believe that Europe's salvation lay in federation and the creation in the longer term of a similar single European State.

There are two fundamental weaknesses in that theory.

First, it underestimates the strength of national traditions in Europe and the desire of people to preserve them. Those national, and indeed

regional traditions and differences, far more deep-rooted than those between the different states of the Union in America, are part of Europe's vitality and inventiveness, from which sprang the great cultural achievements of the past, and in which lies our hope for the future.

Europe will be stronger precisely because it has France as France, Spain as Spain, Belgium as Belgium, Britain as Britain, each with its own languages and traditions, rather than trying to dissolve them into some sort of neutral personality. To pursue uniformity would deprive Europe of the source of its greatest achievements. A commitment to diversity is as important as one for harmonisation.

The second weakness of the federalist theory is that it fails to recognise greater decentralisation as the path to economic and political success.

I am the first to say that on as many issues as possible the countries of Europe should speak with a single voice.

I want to see them work more closely together on the things we can do better together than singly. Europe is stronger when we do so, whether it be in trade, in defence or in our relations with the rest of the world.

But working more closely together does not require the creation of a new European super-state.

And centralisation of power, economic or political, doesn't help economic or political growth.

It is ironic that when those countries such as the Soviet Union, which have tried to run everything from the centre, are learning that success depends on developing power and decisions away from the centre, some in the Community seem to want to move in the opposite direction.

Of course what the Community is actually doing, in the Single Market programme, is different.

Liberalisation of capital movements, abolition of road haulage quotas, mutual recognition of professional qualifications - all these are measures designed to free markets, to widen choice, and to produce greater economic convergence through reduced government intervention. And quite right too.

Let me say bluntly on behalf of Britain: we believe that the task of government is simply to provide a secure framework within which individuals may take their own decisions. And we have not embarked on the business of throwing back the frontiers of the state at home, only to see them reimposed at a European level, with a new European super-state exercising a new dominance from Brussels.

Respect for individual freedom, democratically expressed, is the European quality par excellence.

And it is absolutely crucial for the European Community's success that, at each stage of its development, it should act with the full consent of the people.

That requires decisions reached by negotiation between sovereign governments, each elected by their people, and responsible to their national Parliaments.

Certainly we want to see Europe more united. But it must be in a way which respects the freedom of the individual. By preserving diversity we enlarge liberty.

Encouraging Evolutionary Change

My second guideline is - The Community must evolve, and there must be no sacred cows!

If we cannot reform those areas of existing Community policy which have rightly caused public disquiet, we cannot expect public support for the Community's further development.

That is why the achievements of the European Council in Brussels last February are so important. It wasn't right that over half the total Community Budget was being spent on storing and disposing of surplus food. It is right that these stocks are now being sharply reduced.

And it was absolutely right to decide that agriculture's share of the budget should be reduced. Freeing resources, some £35 billion

between now and 1991, to spend on developing the economies of the poorer Community member-states, and tackling problems of industrial decline and long-term unemployment.

It was right too to introduce tighter budgetary discipline to enforce these decisions.

And right too to bring budgetary contributions more in line with relative national wealth.

Those outside observers who thought it odd that the Community should spend so much time on such financial detail totally missed the point. You cannot build on unsound foundations; and it was the fundamental reforms agreed last winter which paved the way for the remarkable progress on building the Single Market made in the spring and summer.

But the task is a continuing one. We still need further improvements in Community systems for financial management and control. And the task of reforming the Common Agricultural Policy is far from complete.

Let there be no misunderstanding. I believe the common agricultural policy has played an essential role in the construction of Europe. The founding fathers were not wrong. Europe needs a stable and efficient farming industry. But the CAP has become unwieldy and inefficient. It has placed a high cost especially on our taxpayers, but also on consumers. And production of unwanted surpluses neither safeguards the income nor the future of farmers themselves.

This view is now widely shared in the Community. In the last few years we have achieved some important reforms. The decisions we took this February mark a major advance in controlling our spending on agriculture. But we must not rest on this.

We must continue to pursue policies which relate supply more closely to market requirements, and which will reduce overproduction and limit costs.

And we need to go on seeking ways of protecting the countryside and the rural way of life without imposing unacceptably high costs on consumers and taxpayers.

These are problems to which the Commission rightly continues to draw attention. They demand political attention, and tackling them requires political courage. And the Community will damage itself, in the eyes of its own people and the outside world, if either quality is lacking.

Europe open to enterprise

My third guideline is the need for the Community to encourage individual enterprise if it is to flourish and succeed.

The basic framework is there: the Treaty of Rome is in fact a Charter for Economic Liberty.

But that is not how it has always been read, still less applied.

Our own experience in Britain has pointed the same way.

We have rediscovered the spirit of enterprise by realising that public resources are in fact private resources taken by the state, and that the individual is far better equipped to take many decisions than the state is.

The lesson of the economic history of Europe in the 70s and 80s is that "dirigisme" doesn't work, and that individual endeavour does. That centrally planned resource allocation is a recipe for low growth; and that free enterprise brings better results.

The aim of a Europe open to enterprise is the moving force behind the creation of the Single European Market by 1992.

By getting rid of barriers, by making it possible for companies to operate on a Europe-wide scale, we can best compete with the United States, Japan and the other new economic powers emerging in Asia and elsewhere.

But completion of the Single Market must not mean tying ourselves up in ever more regulations. Indeed it should not only mean fewer regulations - replacing a cats cradle of conflicting national rule-books - but simpler and clearer ones.

Our aim should be not to regulate more or to issue ever more directions from the centre.

It should be to deregulate, to liberalise and to open up.

If we can achieve that, we will have established a very good model for the Community's future development in other areas.

Take monetary matters. The key issue now is not whether and when a European Central Bank might be required.

The requirement now is full implementation of the Community's new, and long overdue, commitment to free movement of capital round Europe. To the abolition throughout the Community of the exchange controls which were abolished in Britain in 1979. That will represent a great step forward towards creating a single Community capital market, enabling our peoples to invest wherever they wish.

The requirement now is to establish a genuinely free market, Community-wide, in financial services, in banking, insurance, investment.

The requirement now is to see the ecu market develop, That is why the British Government is this autumn issuing ecu-denominated Treasury bills, and hopes to see other Community governments increasingly do the same. [This provides companies with a useful means of hedging against currency movements: it is a practical encouragement to trade.]

These are the real requirements because they are what Community business and industry needs, if they are to compete effectively in the wider world. And they are what the European consumer wants, for they will widen his choice and lower his costs.

It is to such basic practical steps, which respond to

realities, not rhetoric, that the Community's attention should be devoted. The question of a European Central Bank is in this sense a distraction.

It is the same with frontiers.

Of course we must make it easier for goods to go through frontiers.

Of course we must make it easier for our citizens to travel throughout the Community.

But it is a matter of plain commonsense that we cannot totally abolish frontier controls if we are to protect our citizens and stop the movement of drugs, of terrorists, of illegal immigrants.

We need to suppress the tendency towards inflated expectations.

We shall make much quicker progress if we define practical steps towards closer cooperation and greater liberalisation, and concentrate on

achieving them.

After all if we do complete the single market in 1992 it will have taken 35 years of detailed work since the Treaty of Rome first set the target.

Europe open to the world

My fourth guideline is a simple one, which concerns the Community's role in the world. We cannot properly safeguard the prosperity of Europe unless the world prospers. So we must ensure that our approach to world trade is consistent with the liberalisation we preach at home.

We cannot work to reduce barriers and regulations within Europe, while practising protectionism in our trade with other countries.

Just as economic success in each of our countries has come from restructuring, from getting rid of restrictive practices and subsidies, and by privatising state-run industries, so the expansion of the world economy requires us to continue the process of removing barriers to trade, and to do so in the multilateral negotiations in the GATT.

It would be a travesty if, while breaking down internal barriers to create the Single Market, the Community sought greater external protection. Such a course would damage the multilateral trading system: it would also damage the Community itself. Instead we should be seeking to persuade others in GATT to open their markets too, thus contributing to global liberalisation.

One of the key issues in the current GATT negotiations is agriculture. The need to reform support policies for agriculture is worldwide. But we

cannot urge others to reform their agriculture unless we are prepared to continue the process in Europe, on the lines I have already outlined. By making agriculture more responsive to market forces, we shall not only make our own economies more competitive. We shall also avoid the damage which subsidised exports do to the economies of developing countries and to Europe's relations with its major trading partners.

Europe has a longer tradition than any other country of being outward-looking, and therefore has a responsibility to give a lead here, a responsibility which is particularly directed towards the less developed countries.

They need greater trade opportunities, not the dumping of Europe's agricultural surpluses in the guise of food aid.

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Europe and Defence

Lastly, I come to the most fundamental issue of all:
the responsibility to ensure Europe's security.
And here our guideline has to be that we must
fully live up to that responsibility, without
hedging or ducking.

We can be satisfied with what NATO has achieved over 40
years.

The fact is things are going our way: the
democratic model of a free enterprise society has
proved itself superior; freedom is on the
offensive the world over for the first time in my
life-time.

But there can be no question of relaxing our guard.

Indeed it is quite clear that Europe is going to
be called upon to bear a much heavier

responsibility for its own security than in the past.

We must find ways:

- to maintain the US commitment to Europe's defence, while recognising the burden on their resources of their world role and their natural desire to reduce their defence spending in Europe itself - particularly as Europe grows wealthier;

- to meet the requirements for stronger] conventional defence in Europe against Soviet forces which are still being rapidly modernised. S/A
This is a responsibility none of us can evade.

- to keep public confidence in the continuing need for nuclear deterrence based on modern weapons;

- to preserve Europe's strength and unity at a time of change and possible instability in the Soviet Union and Eastern Europe, while keeping the door open to future collaboration with those countries.

NATO and the WEU have long recognised where the problems lie and have pointed out the solutions.

The time has come when we can no longer put off giving substance to the declarations about [greater] *improved ??* defence effort and better value for money through *CA* the standardisation of equipment which have for too long remained empty phrases.

It's not an institutional problem, it's not a problem of drafting: it's something much more simple and more profound: it is a question of political will and political courage, of convincing people in all our countries that we cannot rely for ever on others for our defence but

must shoulder more of the burden ourselves.

It comes down to one single word: leadership.

The future must lie:

in strengthening NATO, not in seeking alternatives to it;

in removing the obstacles to full military collaboration between all NATO's members, in particular those who cannot bring themselves to integrate their forces fully with NATO;

and in developing the WEU, not as an alternative to NATO, but as a means of strengthening Europe's contribution to the common defence of the West.

It is to this task, to enhancing our security, and hence our prosperity, that the weight of European

governments' intellectual and political effort will need to be devoted over the next few years.

Only then will this generation of European leaders be able to claim with confidence that we have built well on the foundations laid by the immediate post war generation: that the Europe we hand on to our successors is more prosperous, more enterprising, more responsible and more secure.

The British approach

I have set out five ways in which we in Britain want to see Europe develop.

It is a pragmatic, rather than visionary approach, and none the worse for that.

It does not require new documents: they are all there, in the North Atlantic Treaty, the Revised Brussels Treaty, and the Treaty of Rome, texts written by far-sighted men, a remarkable Belgian - Paul Henri Spaak - among them. We have the tools we need in the Single European Act: texts we produced ourselves after hard thought and hard work only a year or two ago. What we need now is to get on with the job, implementing those texts, rather than letting ourselves be distracted by distant and utopian goals.

However far we may all want to go, the truth is that you can only get there one step at a time. Let's concentrate on making sure that we get those steps right: the rest will follow