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Secretary of State for Trade and Industry

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CONFIDENTIAL

24 June 1986

Rt Hon^r Sir Geoffrey Howe QC MP
Secretary of State for
Foreign & Commonwealth Affairs
Foreign & Commonwealth Office
Downing Street
SW1

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24/6

Dear Sir,

UK PRESIDENCY OF THE COMMUNITY: INTERNAL MARKET ACTION PROGRAMME

attached

We agreed in OD(E) on 26 February that completion of the internal Community market should be the principal focus of our Presidency. This means making maximum possible progress on the 114 individual proposals included in the 1986 Presidency Action programme following up the Commission's internal market White Paper, which we prepared with Luxembourg and the Netherlands at the end of last year.

The Dutch Presidency have made a disappointing start. Our best guess is that they will do well to get any more than 20 proposals through by the end of this month. That leaves us with at least 90 outstanding items. We need to achieve a substantial acceleration in decision-making during our Presidency. The initial momentum will need to be established in July.

We must equally be realistic. The best estimate I can make at present is that we will have done very well indeed if we succeed in getting as many as 50 of the currently outstanding items adopted by the end of our Presidency. There have been welcome signs recently that Arthur Cockfield may now be prepared to take a similarly realistic view: he now admits privately that adoption of some 50 proposals would be a satisfactory Presidency achievement. I hope that we can get the Commission to recognise this more openly in the internal market Council.

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A target of around 50 items is ambitious, and progress towards it will depend on wholehearted co-operation and understanding from the Commission and from other Member States. We must therefore do all we can to secure their backing. I know that you and the Prime Minister aim to inject renewed impetus into the Community's internal market work at this week's European Council meeting. We need to consider now how to follow that up in detail in July.

Officials are already at an advanced stage in the preparation of a detailed action plan, item by item, for the Presidency. But the crucial point is to get across to Ministers in other Member States the importance both of accelerating progress this year, the first full year of the Joint Presidency's internal market programme, and of avoiding wholly unrealistic targets - which would undermine the credibility of the internal market programme as a whole - for the decisions to be taken over the next six months.

In the internal market Council itself Alan Clark outlined this general message at the final Dutch Council on 23 June. He will follow this up with a personal letter to all the Ministers concerned, early in July, outlining the kind of progress that we hope to achieve in the Council during the Presidency.

I hope that other colleagues who are chairing Councils responsible for internal market business will also consider taking similar personal initiatives of this kind at the start of our Presidency. The Agriculture Council is particularly important. It is responsible for about a third of the items in the Presidency action programme; and here the Dutch have made a particularly slow start. I understand that Michael Jopling is considering setting aside a certain amount of time at each Council meeting for internal market items. I would hope that he might also be prepared to consider chairing at least one meeting devoted primarily to internal market issues.

The situation is different in the ECOFIN and Transport Councils but it would be helpful to know whether Nigel Lawson and John Moore might also agree it would be useful to write to their Community colleagues early in July, outlining their Presidency strategy with particular reference to the internal market business of the Councils they will chair.

In all this we must of course keep in mind the importance of securing EC decisions which will have a positive domestic political impact. This means our giving a push to some selected items on which early action would make a particularly useful

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contribution to opening the internal market up - in fields like transport, capital movements and non-life assurance, technical standards and testing and certification. Detailed work to identify our specific priorities is already in hand. In the meantime, we will have prepared the ground for action on the lines we have in mind if we succeed - as we hope - in getting agreement at the European Council meeting that special attention should be paid to securing progress on items of real practical importance to business.

To sum up, I hope we can agree that:

- officials should finalise our list of the 50 or so items we should target for adoption this year, and complete detailed action plans for Community decision-taking on each;
- a particular effort should be made to accelerate work on our national priority items;
- Chairmen of the individual Councils involved in the internal market programme should consider writing to their European colleagues as soon as possible after the European Council meeting, outlining their plans for the Presidency with particular reference to internal market business.

I am copying this letter to the Prime Minister, members of OD(E), John Moore, and to Sir Robert Armstrong.

PAUL CHANNON

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