

C.C.P.



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

2 July 1986

The Rt. Hon. Paul Channon MP  
Secretary of State for Trade and Industry

A handwritten signature in dark ink, appearing to read 'Paul Channon'.

Handwritten initials 'C.C.P.' and the date '3/7'.

**UK PRESIDENCY OF THE COMMUNITY:  
INTERNAL MARKET ACTION PROGRAMME**

Thank you for copying to me your letter of 24 June to Geoffrey Howe. I have considered carefully whether I should write to my ECOFIN colleagues outlining my plans for the Presidency with particular reference to the internal market, but concluded that I would not be able to add very much to what I said - and what was agreed - at the last ECOFIN on 16 June.

At that meeting, I stressed my determination to proceed quickly with the Commission's new proposal for liberalising certain capital transactions, and accepted that further work should be set in hand on various fiscal proposals relevant to the internal market. I did not reiterate my determination to press forward with work on the non-life insurance services directive but, as you will be aware, progress on this item is held up pending the judgement of the European Court on four insurance cases. Once the judgement is available, we shall press forward with work on this proposal as quickly as possible.

ECOFIN endorsed my proposal to make rapid progress by agreeing a detailed timetable for further work on a number of internal market issues. It was agreed in particular that the new capital movements directive should be discussed again at the October Council, and that the Monetary Committee and the Committee of Central Bank Governors should examine the implications of a more extensive liberalisation of capital movements. The Commission is to present further proposals on the rate structure of indirect taxation by 1 April 1987 (without prejudice to the position which delegations will then take). In the meantime we will press ahead with examination of a number of technical VAT and excise structural measures. ECOFIN's general programme of work in these areas was endorsed by the European Council last week.



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

NIGEL LAWSON

*Yours  
Nigel*