

SUBJECT CCMaster
OPS

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T224/86

RESTRICTED

1677 - 1

OCMIAN 1677
RESTRICTED
DD 270700Z ATHEN
DD 270700Z ROMEE
FM FCOLN TO ATHEN
261800Z NOV
GRS 1278

RESTRICTED
FM FCO
TO DESKBY 270700Z ATHENS
TELNO 432
OF 261800Z NOVEMBER 86
AND TO DESKBY 270700Z OTHER EUROPEAN COMMUNITY POSTS
AND TO DESKBY 270700Z UKREP BRUSSELS

FRAME GENERAL

MY TELNO 431: EUROPEAN COUNCIL: PRIME MINISTER'S MESSAGE TO EC
HEADS OF GOVERNMENT

1. FOLLOWING IS PRESIDENCY REPORT ON THE ECONOMIC AND SOCIAL
SITUATION:

BEGINS

A COMMUNITY CAMPAIGN FOR BUSINESS AND JOBS

(REPORT BY THE PRESIDENCY ON THE ECONOMIC AND SOCIAL SITUATION)

THE CHALLENGE

AMONG THE MAIN GOALS OF THE COMMUNITY ARE ECONOMIC AND SOCIAL
PROGRESS AND THE CONSTANT IMPROVEMENT OF THE LIVING AND WORKING
CONDITIONS OF THE PEOPLE OF EUROPE.

THE COMMUNITY WAS A MAJOR FORCE FOR GROWTH IN THE 1960S. IT
MUST BE SO AGAIN IN THE 1980S AND 1990S.

THE PROBLEM OF UNEMPLOYMENT, PARTICULARLY LONG-TERM
UNEMPLOYMENT, AFFECTS EVERY MEMBER STATE. IT CAN BE TACKLED
EFFECTIVELY ONLY THROUGH THE GROWTH OF BUSINESS AND ENTERPRISE.

1

RESTRICTED

RESTRICTED

1677 - 1

BUSINESS WILL FLOURISH ONLY IF BARRIERS TO TRADE ARE BROKEN DOWN THROUGHOUT THE COMMUNITY.

ENTERPRISE CAN BE ENCOURAGED IF STEPS ARE TAKEN TO REDUCE BURDENS AND OPEN UP OPPORTUNITIES IN ALL THE MEMBER STATES. THE PROGRESS MADE

THERE IS A GROWING CONVERGENCE OF ECONOMIC POLICY IN THE MEMBER STATES.

THIS HAS BEEN DEMONSTRATED IN THE POLICIES WE HAVE ADOPTED TO REDUCE INFLATION.

THE COMMISSION EXPECT INFLATION NEXT YEAR TO FALL TO 3 PERCENT, THE LOWEST COMMUNITY AVERAGE FOR 20 YEARS.

THE BRITISH PRESIDENCY HAS GIVEN PRIORITY TO:

- PROMOTING LONG-TERM PROSPERITY AND JOB CREATION THROUGH THE COMPLETION OF THE INTERNAL MARKET:

- LIGHTENING BURDENS ON BUSINESS:

- AN ACTION PROGRAMME FOR EMPLOYMENT GROWTH:

- HELPING SMALL AND MEDIUM-SIZED ENTERPRISES TO MAKE A DYNAMIC CONTRIBUTION TO THE CREATION OF PROSPERITY AND JOBS.

CAPITAL MOVEMENTS

FINANCE MINISTERS AGREED ON 17 NOVEMBER ON FURTHER MEASURES TO LIBERALISE CERTAIN CAPITAL TRANSACTIONS. THE COMMISSION SHOULD BE INVITED TO BRING FORWARD AS SOON AS POSSIBLE PROPOSALS TO ACHIEVE THE FREE MOVEMENT OF CAPITAL THROUGHOUT THE COMMUNITY BY 1992.

THE SINGLE LARGE MARKET

FASTER PROGRESS ON THE INTERNAL MARKET HAS BEEN ACHIEVED THIS YEAR THAN UNDER PRECEDING PRESIDENCIES. BUT THE PACE OF DECISIONS REMAINS TOO SLOW IF THE 1992 TARGET IS TO BE ACHIEVED. THE PRESIDENCY INVITES THE EUROPEAN COUNCIL TO ENDORSE THE NEED FOR DECISIONS BY THE END OF THIS YEAR ON ISSUES CURRENTLY BEFORE THE COUNCIL, IN PARTICULAR ON:

- THE FIRST STEPS TO BE TAKEN TO ACHIEVE A SINGLE MARKET IN ROAD HAULAGE BY 1992:

- CREATION OF COHERENT COMMUNITY POLICIES, INCLUDING THE INTRODUCTION OF GREATER COMPETITION IN THE FIELDS OF AIR AND SEA TRANSPORT:

- MEASURES TO OPEN UP PUBLIC PURCHASING:
- MEASURES IN THE FIELDS OF FOOD LAW AND PLANT AND ANIMAL HEALTH:
THE PRESIDENCY HAS PROPOSED THAT AGREEMENT SHOULD BE REACHED AT THE INTERNAL MARKET COUNCIL ON 1 DECEMBER ON A PACKAGE OF MEASURES, INCLUDING SIGNIFICANT PROPOSALS ON:

- COUNTERFEIT GOODS
- PHARMACEUTICALS
- PUBLIC PROCUREMENT
- STANDARDS IN THE FIELDS OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS
- MICROCIRCUIT DESIGNS.

THE PRESIDENCY WILL MAKE FURTHER RECOMMENDATIONS TO THE EUROPEAN COUNCIL IN THE LIGHT OF THE PROGRESS ACHIEVED ON 1 DECEMBER.

TO MAINTAIN THE NECESSARY RATE OF PROGRESS ON THE PROGRAMME AS A WHOLE, THE PRESIDENCY INVITES THE EUROPEAN COUNCIL TO ENDORSE THE NEED FOR DECISIONS EARLY NEXT YEAR ON:

- THE MEASURES NECESSARY FOR THE FURTHER LIBERALISATION OF CAPITAL MOVEMENTS AND TO OPEN UP THE MARKET FOR FINANCIAL SERVICES:
 - THE FULL ARRANGEMENTS FOR A SINGLE MARKET IN ROAD HAULAGE BY 1992:
- FURTHER STEPS TO OPEN UP PUBLIC PURCHASING:
- THE MUTUAL RECOGNITION OF TESTS AND CERTIFICATES:
TECHNOLOGY

A NEW INDUSTRY-ORIENTED BASIS FOR FUTURE COMMUNITY ACTION WAS AGREED IN THE SINGLE EUROPEAN ACT. THE NEW FRAMEWORK PROGRAMME FOR R AND D UNDER DISCUSSION IN THE RESEARCH COUNCIL SHOULD GIVE A CLEAR SIGNAL OF THE COMMUNITY'S COMMITMENT TO R AND D AS A COMPONENT OF INDUSTRIAL COMPETITIVENESS.

TO MAKE THIS RESEARCH EFFORT EFFECTIVE AND RELEVANT TO SUCCESS IN WORLD MARKETS, THE COMMUNITY MUST ENCOURAGE WIDER COOPERATION BETWEEN EUROPEAN FIRMS. THE INVOLVEMENT OF SEVERAL HUNDRED EUROPEAN FIRMS AND RESEARCH INSTITUTES IN EUREKA PROJECTS HAS SHOWN WHAT CAN BE ACHIEVED. OPENING UP PUBLIC PROCUREMENT TO MORE EFFECTIVE COMPETITION IS ESSENTIAL.

RESTRICTED

1677 - 1

DECISIONS ARE IMMINENT IN THE KEY AREA OF DIGITAL CELLULAR RADIO (MOBILE RADIO TELEPHONES). THE POTENTIAL WORLD MARKET OVER THE NEXT 10 YEARS IS WORTH DOLLARS 10 BILLION. EUROPE'S CAPABILITY IN DIGITAL TECHNOLOGY IS NOW AHEAD OF THAT OF OUR MAIN COMPETITORS.

WE NEED TO BE ABLE TO EXPLOIT THIS TECHNICAL LEAD TO SEIZE A SUBSTANTIAL SHARE OF THAT MARKET. WE MUST HAVE A COMMON STANDARD: EUROPEAN PUBLIC TELECOMMUNICATIONS OPERATORS SHOULD JOIN TOGETHER TO OPEN A EUROPEAN SERVICE BY 1991, AND WE MUST AIM FOR A COLLABORATIVE APPROACH BY INDUSTRY.

ENCOURAGING ENTERPRISE

THE COMMUNITY HAS RECOGNISED THE IMPORTANCE OF LESSENING CONSTRAINTS ON BUSINESS TO ALLOW INITIATIVE TO FLOURISH AND EMPLOYMENT TO EXPAND.

THIS IS ESSENTIAL FOR SMALL AND MEDIUM-SIZED ENTERPRISES WHICH MUST PLAY A ROLE IN CREATING NEW JOBS.

- THE COMMISSION IS EXAMINING ALL NEW PROPOSED LEGISLATION FOR ITS IMPACT ON BUSINESS COSTS AND JOBS:
- AN ASSESSMENT ACCOMPANYING EACH PROPOSAL WILL ENABLE THE COUNCIL TO TAKE FULL ACCOUNT OF THE POTENTIAL EFFECTS ON BUSINESS COSTS AND JOBS. THIS MUST NOW BE PUT INTO EFFECT:
- A SPECIAL REVIEW IS BEING CARRIED OUT TO ASSESS THE IMPACT ON BUSINESS OF EXISTING COMMUNITY LEGISLATION. THE COMMISSION WILL REPORT WITH RECOMMENDATIONS FOR ACTION EARLY NEXT YEAR:
- A TASK FORCE HAS BEEN SET UP TO HELP ENSURE THAT THE INTERESTS OF SMES ARE TAKEN FULLY INTO ACCOUNT ACROSS THE FULL RANGE OF COMMUNITY POLICIES AFFECTING THEM.

THE COUNCIL HAS ENDORSED THE PRINCIPLES OF THE COMMISSION'S PROPOSALS ON HELP FOR SMALL BUSINESSES, AND IN PARTICULAR STEPS TO:

- ENSURE THAT EXISTING SCHEMES OPERATE EFFECTIVELY FOR SMALL FIRMS:
- IMPROVE THE ADMINISTRATIVE ENVIRONMENT FOR SMALL FIRMS:
- CREATE THE CONDITIONS IN WHICH NEW SMALL FIRMS CAN BE SET UP:
- IMPROVE THE ACCESS OF SMALL FIRMS TO NEW TECHNOLOGY:
- ENABLE MEMBER STATES TO PROFIT FROM EACH OTHER'S EXPERIENCE

RESTRICTED

1677 - 1

THROUGH AN INTENSIVE EXCHANGE OF INFORMATION AND MUTUAL EVALUATION OF INITIATIVES, INCLUDING SCHEMES TO HELP PEOPLE TO SET UP IN BUSINESS.

AGREEMENT HAS BEEN REACHED ON NEW COMMUNITY LOAN FACILITIES OF 1500 MECU WHICH WILL ENABLE THE COMMUNITY TO SUPPORT SMES' EFFORTS TO INVEST, PARTICULARLY IN NEW TECHNOLOGY.

THE COUNCIL SHOULD CONSIDER URGENTLY COMMISSION PROPOSALS TO RAISE THE THRESHOLD LIMIT FOR THE PAYMENT OF VAT BY SMALL FIRMS. AN ACTION PROGRAMME FOR EMPLOYMENT GROWTH

SOCIAL AFFAIRS MINISTERS AT THEIR INFORMAL MEETING IN EDINBURGH IN SEPTEMBER AGREED ON THE NEED FOR AN ACTION PLAN FOR EMPLOYMENT GROWTH WHICH THE COUNCIL COULD FORMALLY ADOPT IN AGREEMENT WITH THE COMMISSION. THE PRESIDENCY WILL BE SEEKING AGREEMENT IN THE COUNCIL ON 11 DECEMBER ON AN ACTION PROGRAMME DESIGNED TO:

- HELP BOTH YOUNG PEOPLE AND ADULTS INTO EMPLOYMENT:
- HELP THE LONG-TERM UNEMPLOYED BACK INTO JOBS:
- PROMOTE THE CREATION OF SELF-EMPLOYMENT AND OF SMALL AND MEDIUM SIZED FIRMS:
- IMPROVE THE WORKINGS OF THE LABOUR MARKET, INCLUDING WAYS OF INCREASING PART-TIME AND OTHER FLEXIBLE WORKING PATTERNS AND PROVIDING BETTER ACCESS TO THE LABOUR MARKET FOR DISADVANTAGED GROUPS.

CONCLUSION

THESE ARE ALL STEPS IN OUR COMMON BATTLE TO HELP CREATE PROSPERITY AND EMPLOYMENT FOR OUR CITIZENS. THE LONDON EUROPEAN COUNCIL SHOULD BE THE OCCASION TO DECIDE ON ACTIONS WHICH WOULD MAKE A PRACTICAL CONTRIBUTION TO OUR ABILITY TO ACHIEVE THOSE OBJECTIVES.

ENDS

HOWE
FRAME GENERAL
ECD (1)
ECD (P1)
SCD
MVD
NTD

copies to
MR FRIES, HOME OFFICE
MR LEWIS, D/EMPLOYMENT
MR MOGG, DTI