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SPARE

10 DOWNING STREET

From the Private Secretary

1 July 1985

Dear Sir,

EUROPEAN COUNCIL

I enclose a copy of a draft statement to the House on the recent European Council in Milan. I should be grateful for comments by 1030 on 2 July.

I am copying this letter and enclosure to Rachel Lomax (HM Treasury), John Mogg (Department of Trade and Industry) and David Williamson (Cabinet Office).

Yours sincerely,

(CHARLES POWELL)

C R Budd Esq
Foreign and Commonwealth Office

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STATEMENT BY THE PRIME MINISTER

ON THE

EUROPEAN COUNCIL, MILAN

28-29 JUNE

With permission, Mr Speaker, I should like to make a

Statement on the European Council on 28-29

June at which my Rt. Hon. and Learned Friend

the Foreign and Commonwealth Secretary and I

represented the United Kingdom.

I have arranged for the conclusions of the

Council to be placed in the Library of the

House.

The United Kingdom put forward before the European

Council specific proposals for the

development of the Community, covering:-

- the completion of the Common Market,

- strengthened political co-operation,

- improvements in decision-making

- and the better exploitation in the market
of advances in high technology.

Texts of these have also been placed in the
Library of the House.

We therefore went to the European Council hoping for
decisions which would have allowed the
Community to take practical steps forward.

Some of those decisions were taken.

The European Council decided that in making

progress towards achieving the single
internal market for goods and services in the
Community by 1992 priority should be given

to:

- the removal of physical and technical
barriers to the movement of goods;
- a free market in financial services;
- a free market for transport;
- liberation of capital movements;
- full freedom of establishment for the
professions.

These are the United Kingdom's own priorities.

On political co-operation the European Council decided

to set in hand the work necessary to finalise
a formal and binding agreement on the lines
proposed by the United Kingdom, taking
account also of a subsequent Franco-German
text which is almost identical in its main
provisions.

Such an agreement would allow the Community
to play a more significant and influential
part in world affairs.

On technology the European Council expressed its determination that advantage should be taken of the large Community market to encourage new technology and to put European manufacturers of high technology products on a par with West American and Japanese counterparts.

I proposed that in order to encourage collaboration between companies there should be a guarantee that markets, including public purchasing, in Community countries would be genuinely open to the products of such collaboration.

There will be a meeting of a high-level Committee before 14 July in order to progress

the various collaborative projects known as Eureka and the United Kingdom's suggestions on a Eurotype guarantee.

On decision making, however, a majority of the European

Council preferred to postpone action by referring various proposals for amending the Treaty to an inter-governmental conference.

The United Kingdom's view was that some positive improvements in the Community's decision making should have been decided there and then, and did not necessitate any Treaty amendment.

We regret this unnecessary delay but will naturally attend any such conference and

shall continue to press for practical steps to improve decision making which do not impair our ability to safeguard our national interests.

Any changes to the Treaty would of course require unanimity.

The European Council discussed the economic and social situation in the Community and, in particular, growth and employment.

The Commission was invited to prepare a detailed report comparing performance with other major industrialised countries and concentrating on strategies which could contribute to improving growth and

employment.

The Commission reported on the steps being taken to give effect to the British initiative on deregulation at the last European Council and will make its detailed proposals before the next meeting.

The European Council broadly endorsed the second report of the Committee on People's Europe.

I emphasised the importance of the recommendations on cutting the burden of Community legislation and in particular, making easier the availability of medical care for British citizens when abroad.

In addition the European Council agreed the value of launching a European action programme against cancer.

The European Council unanimously agreed on the need for a significant increase in Japanese imports of manufactures and processed food products. It also called on Japan to liberalise its financial markets and give an international role to the yen.

These points will be emphasised to the Prime Minister of Japan during his forthcoming visit to Europe.

We also discussed the serious problems of terrorism

and hijacking.

We agreed on a very firm approach and the need to work at further specific measures of co-operation against these evils.

Finally, the European Council discussed famine in

Africa, noting that two-thirds of the 1.2 million tonnes of cereals agreed at Dublin had already reached the recipients or was on route.

In line with our views the European Council decided that it should work out a co-ordinated strategy against the effects of drought in the Third World and give priority to helping developing countries achieve

security of supplies and fight the battle
against the advancing deserts.

Mr Speaker, by agreeing steps to remove the remaining
barriers to trade in goods and services
within the Community and to strengthen the
competitiveness of our high technology firms,
the Milan European Council contributed to the
Community's economic strength and to the
creation of wealth and new jobs.

But this was a lost opportunity to take
action here and now to strengthen foreign
policy cooperation and to improve decision
taking.

These issues will now be discussed in a

further conference.

The United Kingdom will be present and will
make a constructive contribution on the basis
of action rather than words.

The Prime Minister: I have no plans to meet President Reagan in the near future but I expect to meet Vice-President Bush during his visit to London tomorrow.

Mr. Latham: While we can rejoice with President Reagan that the American hostages have been freed, will my right hon. Friend recall that one of them was brutally murdered by the terrorists and that many people see this whole affair as a partial victory for terrorists? Will she join with President Reagan in banning Middle Eastern Airlines until Lebanon, and Beirut in particular, ceases to be a haunt of terrorists and killers?

The Prime Minister: I agree that it is intolerable that Beirut airport should be used to launch terrorist attacks outside the Lebanon, and we have not forgotten the United States Marine who was so brutally murdered on that flight. Until the Lebanese Government can guarantee security at Beirut airport it may be necessary for the international community to suspend all services to Beirut. I hope that such action, which we will certainly support, will have the widest international backing. I shall be discussing this matter with Vice-President Bush tomorrow.

Mr. Douglas: How can the international community have any efficacy in the future control of terrorism when it does not observe the conventions that already exist for the control of terrorism? I refer to the Hague convention, the Tokyo convention and the Montreal convention. How can we believe that we can control terrorism through more conventions if we cannot adhere to existing international legislation?

The Prime Minister: As the hon. Gentleman is aware, we adhere to existing international legislation. I think that the hon. Gentleman is referring to the Montreal hijacking agreement, which was originally the Bonn hijacking agreement and was reaffirmed at Montebello. It has sometimes been difficult to get all nations to adhere to that. I agree that it is of vital importance in stopping hijacking that everybody accepts that convention.

Mrs. Clwyd: On a point of order, Mr. Speaker.

Mr. Speaker: Does it arise out of questions?

Mrs. Clwyd: Yes, Mr. Speaker. Is it in order for the Secretary of State for Defence to refuse to answer a serious question on our national sovereignty, something that should concern every hon. Member? That sovereignty has been threatened by a senior military man at SHAPE headquarters and—

Mr. Speaker: Order. I think that the hon. Lady is trying to carry on Defence Question Time, and in particular her question 12. I have no responsibility for ministerial answers.

Mr. Tom Clarke: Further to that point of order, Mr. Speaker. Was it in order for the Secretary of State for Defence to attack hon. Members — including myself incidentally as I was on the delegation—who found that the—

Mr. Speaker: Order. The House knows that we have a busy day ahead of us, and an Opposition day at that. We cannot carry on Question Time. I am not responsible for what the Secretary of State says, and I cannot be responsible for the attacks made across the Chamber. That is what the system is about.

Mr. Boyes rose—

Mr. Speaker: Order. Is this another point of order? If it is an attempt to carry on Question Time, I shall not hear it. If it is a fresh point of order, I will.

Mr. Boyes: I am looking to you for guidance, assistance and help, Mr. Speaker. A senior four-star American general threatened this country—

Mr. Speaker: Order. I think that the hon. Gentleman will have to find other ways to draw attention to this senior four-star general. There will be other opportunities.

Mr. Boyes rose—

Mr. Speaker: Order. I cannot give the hon. Gentleman any guidance. Long ago the House agreed that when we have Question Time we end it at the prescribed moment. We cannot continue afterwards.

European Council (Milan)

3.34 pm

The Prime Minister (Mrs. Margaret Thatcher): With permission Mr. Speaker, I should like to make a statement on the European Council on 28-29 June, which my right hon. and learned Friend the Foreign and Commonwealth Secretary and I attended.

Some time in advance of the European Council, the United Kingdom had circulated specific proposals for the development of the Community, covering completion of the internal market, strengthening political co-operation and improvements in decision making. Texts of these have been placed in the Library of the House together with the proposal we made at the European Council on exploitation in the market of advances in technology.

The meeting offered the opportunity for action over a broad range of these proposals and a number of important decisions were taken. The European Council decided that, in making progress towards achieving the single internal market for goods and services in the Community by 1992, priority should be given to the removal of physical and technical barriers to the movement of goods to a free market in financial services, a free market for transport, the liberation of capital movements and full freedom of establishment for the professions. These are the United Kingdom's own priorities.

On political co-operation, the European Council decided to set in hand the work necessary to reach agreement on the lines proposed by the United Kingdom, taking account also of a subsequent Franco-German text which was very similar. Such an agreement would allow the Community together to wield more influence in world affairs.

On technology, the European Council expressed its determination to use the large Community market so as to strengthen technological co-operation in Europe in the face of the American and Japanese challenge. As an incentive to manufacturers, we proposed that products resulting from collaboration should have a guarantee of genuine access to public purchasing throughout the Community.

By contrast, when it came to procedures for decision making, a majority of the European Council preferred to postpone action and to put the issues to an intergovernmental conference to be convened under article 236 of the Treaty of Rome.

The United Kingdom's view was that some positive improvements in the Community's decision-making could have been decided in Milan and did not require any treaty amendment. We regret this unnecessary delay, but will naturally attend any such conference and shall continue to press for practical steps to improve decision-making which do not impair our ability to safeguard our national interests.

As the House will recall, any changes to the treaty would of course require unanimity and would have to be approved by each sovereign Parliament.

On the economic and social situation, the Commission is preparing a detailed report which will compare the Community's economic structure and performance with other major industrialised countries. It will concentrate on strategies to improve growth and employment.

The Commission also reported on the steps being taken to give effect to the British initiative on deregulation at the last European Council.

The European Council generally endorsed the report of the Committee on the People's Europe, which itself recommends cutting the burden of Community legislation and proposes easier access to medical care abroad.

The European Council agreed on the need for Japan to increase significantly its imports of manufactures and processed food products and to liberalise its financial markets. This unanimous view will be emphasised to the Prime Minister of Japan during his forthcoming visit to Europe.

I raised the need for further measures to combat terrorism and hijacking, with particular emphasis on the security of airports and air travel.

Finally, the European Council discussed famine in Africa. Two thirds of the cereals food aid agreed at Dublin last December has already reached the countries concerned or is en route. We now intend to work out a co-ordinated programme against the effects of drought in the Third world and give priority to helping developing countries themselves to achieve greater security in their food supplies.

By agreeing steps to remove barriers to trade and to strengthen high technology, the Milan European Council contributed to the Community's economic strength and to the creation of wealth and new jobs. It is regrettable, however, that the opportunity available to the Council to strengthen foreign policy co-operation and to improve decision-taking was not taken. These issues will now have to be discussed in a further conference. The United Kingdom will be present and will make a constructive contribution on the basis of practical proposals rather than vague aspirations.

Mr. Neil Kinnock (Islwyn): I listened carefully to the Prime Minister's statement, but try as I might I could not find any adequate explanation of why she got the whole approach to the Milan summit so spectacularly wrong. Ten days ago the Government's position, as expressed to the House, was that they and a substantial number of other member Governments did not see any necessity for an intergovernmental conference such as is proposed. What substantial number of other Governments took the same view as the British Government? What number were the Prime Minister and her Ministers thinking of in view of the fact that in Milan last weekend they were outvoted by seven countries to three?

Is it not the case that as a consequence of the Prime Minister's clumsy failure in Milan and before Milan, we are not in a position to promote the changes in the Common Market that our country needs nor effectively to protect Britain's interests?

Mr. Nicholas Budgen (Wolverhampton, South-West): Tell us what changes.

Mr. Kinnock: She got us into this; she is going to have to get us out of it—[*Interruption.*]

Mr. Speaker: Order.

Mr. Kinnock: The Government have now been sucked into an intergovernmental conference that the Prime Minister said would never take place and which she plainly does not want. I have to ask her whether she will attend that conference herself. Is the "we" to which she referred

regal or national when referring to our country? Is it not important that the British Prime Minister actually does attend such a conference, in view of the plain fact that other countries can make changes in procedure without altering—

Mr. Budgen: What changes?

Mr. Kinnock:—without altering the treaty of Rome—*[Interruption.]* I understand the embarrassment of the Conservative anti-marketeers, but shouting will not cover their tracks. *[AN HON. MEMBER:* “You have got to cover yours.”] I repeat that, in view of the very plain fact that other countries can make changes in procedure at that conference without altering the treaty of Rome, and thereby by a majority vote enable themselves to determine vital future interests of the British people, is it not essential that the Prime Minister goes to that intergovernmental conference?

The communiqué and the Prime Minister's statement referred to the Committee on the People's Europe. Before that enterprise goes any further, will the Prime Minister accept the fact that the people of Britain—and, indeed, the other countries of the Common Market—are not impressed by European flags and stamps and anthems; they want investment and growth and, above all, jobs.

On the latter subject, I note from the statement that there is to be a detailed report comparing the Communities's structure and performance with other industrial countries. Are we supposed to be satisfied by such a statement? Are we supposed to be satisfied that 10 leaders of some of the strongest nations of the world got together over the weekend and all that they can offer to the 15.5 million unemployed in the Common Market is the prospect of yet another study to report in December? Would it not have been fitting for the British Prime Minister, who has the largest number of unemployed, to take the initiative at the summit to try to bring down unemployment?

In the wake of Milan, is it not absolutely plain—*[Interruption.]* I know that Conservative Members do not like it, Mr. Speaker—*[Interruption.]*

Mr. Speaker: Order. I do not need help from either side of the House.

Mr. Kinnock: Thank you, Mr. Speaker. Hooliganism is one thing that the Conservative party could teach Europe.

In the wake of Milan, is it not absolutely plain yet again that six years of bluster from the right hon. Lady has not succeeded in winning one tangible, positive advantage or in protecting British interests or the British people?

Faced with that reality, is it the case that the Prime Minister is vexed, or has she “but one emotion—fury”, as her Mr. Bernard Ingham told us? Is it the case, as he said, that

“The Richter scale ceases to operate when it applies to her. It is not irritation to the Prime Minister. It is total volcanic eruption. Krakatoa has nothing on it.”?

How soon will the right hon. Lady join that extinct volcano?

The Prime Minister: I refer to the right hon. Gentleman's first point, on an intergovernmental conference. I do not think that an intergovernmental conference is necessary. We could have agreed great improvements in decision-making on the matters that were

on the table, and that we had circulated well before the meeting. Some of us wished to; others wanted to go further than that, and they called an intergovernmental conference under article 236. That is a limited one. It must be initiated by proposals to amend the treaty, and the only ones before us on that occasion were article 57(2), which is an amendment on the qualifications and right of establishment, as well as article 100, which requires a unanimous vote for directives, which we happen to think is extremely important. No other article for amendment was suggested to go before that conference save one put up by the Commission, on the harmonisation of tax—article 99—which, fortunately, the Germans knocked down pretty quickly, and which we agreed should not be considered.

The right hon. Gentleman said that the decision can be taken by majority vote. That is not quite right. One can call an intergovernmental conference by majority vote. Any recommendations that it makes to change the treaty would have to be done by unanimous vote and would also have to come before each Parliament. It would have to be by unanimous vote—*[Interruption.]* If the right hon. Gentleman would listen, he might learn a thing or two.

With regard to some of the other things, there is a very large report before us, put up by our own Commissioner, on the internal market. It is absolutely vital that the European Council decides what priorities in that report be pursued first. It is not necessary, in our view, for it to take action on tax harmonisation. That can be put aside and considered by Ecofin, because it would cause difficulties for all of us. Therefore, we set out the priorities. They were set out on the first day. They were the ones that were adopted by that Council and put out in the communiqué.

If the internal market is completed, it will provide more jobs for this country, in both financial services and insurance. At the moment it is disgraceful, so long after the treaty of Rome was signed, that there are still quotas on lorries, to our great disadvantage, and that we still cannot have shipping business from other ports in Europe on the same basis as they can from us. We still do not have a free market in air fares. All those things are extremely important in getting more jobs.

With regard to the report on unemployment, the best report, if the right hon. Gentleman would like to read it, was submitted to the Dublin Council in December. Many of its proposals still hold true. Mr. Delors is proposing to put forward a new report along the lines that I have outlined. With regard to the right hon. Gentleman's final point on bluster and fury, I could not hold a candle to him in the emission of hot air.

Mr. Geoffrey Ripon (Hexham): May I congratulate my right hon. Friend on the consistent effort that she has made to promote European progress on the basis of firm, practical action, while at the same time regrettably that some of our European partners seem correspondingly reluctant to make practical decisions on a day-to-day basis, preferring apparently to kick the ball into the long grass? I welcome the fact that we are to attend the new constitutional conference, but can my right hon. Friend suggest any ways in which we can help to undo the damage that was done to the cause of European unity in Milan by some of our European partners?

The Prime Minister: That intergovernmental conference, as my right hon. and learned Friend knows, is normally General Affairs Council of Foreign Ministers. I

[The Prime Minister]

doubt whether it would take long because there appear to be only those two matters before it. It would then have to report back to the European Council. As I have said, if it were to propose any changes in the Treaty, that could be taken through only by unanimous support. I saw nothing before us that would require an amendment to the treaty. We should not be too depressed. We have had setbacks in the Community before. Nevertheless we have been able to carry out enlargement and make decisions on own resources, which mean that we shall pay less now than we would have paid otherwise. I think it is a temporary setback which I hope will be fully redeemed at Luxembourg, and all our efforts will be bent in that direction.

Mr. Roy Jenkins (Glasgow, Hillhead): Can the right hon. Lady explain why she was apparently so incensed that the Franco-German paper took over so many of the ideas of the British Government? Surely if one wants to make progress in a negotiation, it is generally highly desirable that other parties should put forward one's own ideas, believing them to be theirs?

The Prime Minister: It seems strange, since they are on the table already, to duplicate them.

Mr. Julian Amery (Brighton, Pavilion): Is my right hon. Friend aware that most of us on this side of the House, and I suspect on the other side and in the country, strongly support her pragmatic approach to the European co-operation? Is she also aware that it is very difficult to proceed by gentleman's agreement unless one is dealing with gentlemen? Is she further aware that she was absolutely right in the context of the Milan meeting to agree that we should participate in the October meeting? If we are to make progress with Lord Cockfield's proposals for the internal markets and with my right hon. Friend's own proposals for foreign policy, counter-terrorism and other matters, we may have to embark on a system of rather tighter regulation than we would have preferred. Let us be in on it this time and not out of it, as we were when the Messina agreement was approved.

The Prime Minister: I do not believe that the internal market matters will be dealt with without that intergovernmental conference, although it would be relevant in the sense that the large number of directives that would need to be issued to complete that internal market would now have to be decided upon by unanimity. One of those proposed treaty amendments at the intergovernmental conference would change the unanimity rule, and I think most of us—I certainly—would wish to keep the unanimity rule on directives which could be quite vital to many of our industries. That is a matter that will be dealt with at the intergovernmental conference and I thought that our proposals, which would not have required treaty amendment, would be better. It is important that the internal market be completed, but I think it can be completed keeping the unanimity rule.

Mr. Nigel Spearing (Newham, South): Can the Prime Minister be a little more specific about the timetable for the proposals under article 236 that she mentioned? Can she assure the House that any proposals emanating from the Council of the EEC will be published and will be debated in this House under the usual arrangements before the actual conference takes place?

The Prime Minister: There are at present, as I said, only two proposals for treaty amendment and the hon. Gentleman, who is very familiar with the articles of the treaty, knows that that article has to be invoked first by a particular proposal for an amendment. European Assembly opinion on it has to be obtained and then the European Council has to decide what course to recommend. If, of course, it were to recommend any amendments in the treaty, then of course we should have to have a full debate in this Parliament, if the European Council itself decided to go ahead with those recommendations, but first the European Council, which will meet at Luxembourg at the beginning of December, would, I believe, decide whether it wished to go ahead with any recommendations from that previous conference.

Mr. Teddy Taylor (Southend, East): In welcoming very much my right hon. Friend's firm refusal to support the proposals for European union, may I ask her whether she will not close her mind to the desirability, in the event of the breakdown of the next conference, of allowing the original Six to go ahead with a European union treaty for themselves, if they wish? In regard to what she has said about harmonisation, may we have a firm assurance that there is no question of Her Majesty's Government agreeing to the Commission's plans for the internal market if that involves harmonising VAT and charging VAT on food, electricity and gas?

The Prime Minister: My hon. Friend asked about European union. It is a term that is used very loosely. It causes great confusion. Its meaning is not precise. It means something different here from what it means in the Community. We had two proposals before us in Milan, one from ourselves for a treaty on political co-operation and a Franco-German proposal that was almost identical save in regard to three minor points, entitled "A Treaty on European Union". It was not that at all but an agreement on political co-operation. I usually ask my colleagues not to use this phrase because it causes confusion here.

With regard to harmonisation of taxation, I do not believe that is necessary for completion of the internal market. Of course, we should resist it with all the power and strength at our command.

Mr. Tom Clarke (Monklands, West): In view of the right hon. Lady's reference to jobs, can she confirm that she took the opportunity to inform the Community that we in Britain have made enough concessions on steel? Will she therefore confirm today a corporate plan that ensures that we shall have five major plants in Britain, including Llanwern and Ravenscraig?

The Prime Minister: I have no statement to make today about the steel corporate plan. We will let the House know as soon as a decision has been taken.

Mr. Dennis Walters (Westbury): Was my right hon. Friend able to discuss with her colleagues King Hussein's peace initiatives in the middle east and to ensure that every possible support will be given to him to make some progress in that area?

The Prime Minister: Heads of Government had only a brief discussion about the middle east. As my hon. Friend is aware, we warmly support King Hussein's peace initiative and hope that it will succeed and result in direct

negotiations between King Hussein's delegation and Israel. I believe that is the view held by a number of other countries in the Community.

Mr. Eric Deakins (Walthamstow): Will the right hon. Lady oppose at the inter-governmental conference any amendments to the Treaty of Rome?

The Prime Minister: We must go to that inter-governmental conference and consider what is put before us. The statement I made at the European Council was on the matters before us. I saw no reason for amendment of the treaty.

Sir Anthony Kershaw (Stroud): Is it not obvious that insisting on constitutional reform before practical changes may risk those practical changes becoming either more difficult or even impossible? Is it not a pity that at this time we should hear from the Leader of the Opposition nothing but wind, bluster and ignorance?

The Prime Minister: I agree with my hon. Friend. We needed practical changes and we have done a great deal at previous European Councils to make fundamental decisions without changes in the treaty. I thought that the *South German News* put it rather well this morning when it said that Milan showed the gulf in the Community between wishful thinking and reality. We were on the side of reality.

Mr. John David Taylor (Strangford): In view of the unanimity requirement of the inter-governmental conference and the advance notice given by several member nations that they are opposed to the items on the agenda, what decisions does the Prime Minister anticipate from that conference that were not already available at Milan, if the opportunity had been taken?

The Prime Minister: I believe that the decisions were available at Milan. They should and could have been taken there. I believe that they will have to come back to Luxembourg to be reconsidered.

Mr. George Walden (Buckingham): Will my right hon. Friend welcome the remarks by the Leader of the Opposition in so far as they seem to imply that we should work for improvement of the Community from within and that this at least is progress since until recently he did not seem to know whether we should be in or out?

The Prime Minister: In so far as my hon. Friend concluded that that was the import of the right hon. Gentleman's statement, I accept that it is welcome.

Mr. Ron Leighton (Newham, North-East): May I commiserate with the Prime Minister on her humiliating treatment in Milan? Does she accept that the foolish headlines in the press last week about Britain taking over the leadership of the Common Market were just another illusory product of the European dream factory? Is not the Common Market largely a Franco-German benefit society in which our role is to soak up surplus manufactures and dear food? In view of that should we not draw the appropriate and realistic conclusions?

The Prime Minister: If the hon. Gentleman looks at the documents that are available, he will find that the proposals on the internal market, and the priorities which the European Council decided upon, were those that we put forward to the European Council and which it accepted. He will find that the proposals for closer

political co-operation are proposals that we put forward and circulated. Those are the proposals which, together with minor modifications by France and Germany, are likely to be accepted. That is really not a bad start. With regard to what else he said about Milan, I do not need to feel humiliated at all. I noticed that *Le Monde* this morning said:

"The stubbornness of the federalist plan has left a divided Community. They have chosen the very moment when Britain feels itself more European to block her."

Mr. Tony Marlow (Northampton, North): Does my right hon. Friend agree that while the Germans and the Italians were federating in the last century, some of the smaller nations of Europe were looking towards setting up a federal Europe. We in Britain are not. Will she confirm that on no account during her premiership will we surrender the British right to the veto?

The Prime Minister: We have fought for the British right to a veto. Where we have unanimity in the treaty, it is inbuilt in the unanimity rules. Otherwise, we still fight for the Luxembourg compromise with one modification only: that when it is used the reason for which it is used, the right of vital national interests, should be clearly expressed. I agree wholly with my hon. Friend that there is no question of a federal Europe.

Mr. Michael J. Martin (Glasgow, Springburn): The right hon. Lady will be aware that in my constituency 1,400 jobs are to go in the railway workshops. I can go to streets in my constituency where people have not had a decent job in years. Many of my constituents are living in damp houses. Will the right hon. Lady explain how the European Community will help constituencies such as mine?

The Prime Minister: The hon. Gentleman is aware that there has had to be rationalisation of the railway workshops because the carriages in use are of a different design, last very much longer and do not require the same maintenance. As the hon. Gentleman is aware, there is unemployment throughout the European Community, and in parts of it, it is higher than here. Elsewhere it is lower, although they have factors such as conscription which help their young people considerably. There will be a full report upon that. We are in the middle of technological changes which in themselves cause dislocation in society, and we have to do everything we can to mitigate the effect of those changes on the people who have to endure them.

Sir Anthony Meyer (Clwyd, North-West): Is it not now clear to my right hon. Friend that the anti-Europeans want a European union from which Britain is absent, and they are not prepared to pay any price to achieve a common market? Were they to achieve their objectives, would that not bring about the twin political and economic disasters which successive Governments have sought to avoid for 20 years.

The Prime Minister: As my hon. Friend is aware, I believe it is in Britain's interest to be in the Common Market to secure the full working of the treaty, particularly with regard to the internal market and the free movement of transport. It will be to Britain's advantage, not only on the trading side. It will also enhance the influence of Europe throughout the world. I work for both of those things.

Mrs. Anne Clwyd (Cynon Valley): Did the Prime Minister have the opportunity to investigate the loss of £76

[Mrs. Anne Clwyd]

million from the regional and social funds, money which could have been spent on roads, industrial development and jobs? Her answer will be of particular interest to Brecon and Radnor because the county in which it is situated receives not one penny from the social fund. Is it because of bureaucratic bungling in Whitehall or in Brussels?

The Prime Minister: The hon. Lady is aware that I have already written about the social fund and some of the applications that have been made from the areas of Wales which she mentions to support those applications.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): Does my right hon. Friend agree that if it were not for the strangeness of a by-election on Thursday, the Opposition, who were castigating the Prime Minister today, would be praising her for defending Britain's national integrity and our right to put our country first? Is it not a fact that my right hon. Friend suggested only that we would carry out practical and sensible changes to the working of the Community instead of wasting aeons of time, money and talk on changing the treaty of Rome in a way that we all know will never come about because we will not be federalist? There will not be a change in the veto.

The Prime Minister: I agree with my hon. Friend. The Opposition's temporary conversion to the cause of Europe might be affected because they know the amount of inward investment into Wales by virtue of Britain being a member of the Common Market.

Mr. Bryan Gould (Dagenham): Even though she voted against it, does the Prime Minister propose to attend the conference?

The Prime Minister: It is not a conference of Heads of Government as I am sure the hon. Gentleman realises. It is a conference of the General Affairs Council which would normally consist of Foreign Ministers. Only at the European Council are there Heads of Government.

Sir John Biggs-Davison (Epping Forest): Despite the proposals for a treaty of union, is it not clear that no major Community country is prepared to relinquish its national sovereignty to a federation? Therefore, is it not the case that much Continental criticism of my right hon. Friend and the United Kingdom is hypocritical? Is my right hon. Friend aware of the very great support she has in this country for the practical proposals she has put forward and for her steady advocacy of British and, indeed, European interests?

The Prime Minister: I thank my hon. Friend. Sometimes a lot of the rhetoric spoken about Europe gets in the way of practical proposals. It does not matter which country is involved, when things come up in Europe in which a vital national interest is affected, all countries, in practice, act in the same way as did Germany recently over the price of cereals.

Sir Russell Johnston (Inverness, Nairn and Lochaber): Is the Prime Minister aware that her references to a majority of the European Council postponing a decision on decision-making actions is really doublespeak? Will she not accept that the recommendations of the Dooge committee, to which we entered so unnecessary a

reservation, were not about doing away with the veto but about confining its use to genuinely vital national interests? That is not something like cereal prices. Difficult job as it is, the best way of achieving this is through an inter-governmental conference as my right hon. Friends urged her to do in an early-day motion in April. How can she assure us that she will go to the conference in a constructive frame of mind when she has already said on BBC radio that it will fail? If it fails, it will be because she has made it fail. We shall be further isolated and will not achieve either budgetary discipline or the reform of the internal market. To say that only the Danes, the Greeks and ourselves understand reality is absurd.

The Prime Minister: The Luxembourg compromise is not part of the treaty and never has been. We were proposing changes in the Luxembourg compromise, not in its veto power, but that if that veto power were used the reasons should be set out clearly. The Luxembourg compromise has never been a part of the treaty and we do not need an inter-governmental conference to modify, to keep or to change it. The hon. Gentleman has got it quite right.

Mr. Hugh Dykes (Harrow, East): Does my right hon. Friend agree that she has substantial support in other member states for her approach of practical steps? Despite the difficulties, this is a developing and robust community with social, political and economic objectives, and we should play our full part in that and resist the temptation to isolate ourselves as we have always done in the postwar years. We should make sure that we join in fully and avoid the dangers and risks now after the very exhausting struggle over the United Kingdom budget contribution. We should avoid yet another debilitating struggle between "us and them" on taking the Community further forward on structural developments.

The Prime Minister: I agree that we need a step-by-step approach, but if my hon. Friend looks at the documents, he will find that that is exactly what we had. We also had a balanced approach. We made proposals on completion of the internal market. We got the priorities right. That was the economic side, and that will help with jobs. We made proposals on political co-operation. That is a modest description, but it was political co-operation. That got a good deal of support, and it was a pity that we did not go through those proposals clause by clause and complete them. They do not require a change in the treaty, and they do not need to go to an intergovernmental conference. We also made proposals on how to make decisions better without changing the treaty. Therefore, we have the economic side, the political side and the institutional side. It was a very balanced package, and many people regret that it was not fully accepted.

Mr. Dennis Skinner (Bolsover): Does the right hon. Lady accept that ever since she became Prime Minister she has preached to the House and the nation about the need to save money? At the weekend when she was interviewed on television and radio, and when it was said that she was in a fury, she said that the intergovernmental conference was a complete waste of time. Does she accept that if local councillors went to a conference which, beforehand, had been announced as a complete and utter waste of time, they would be wasting ratepayers' money? If this intergovernmental conference is a waste of time—to use

her words—why is she sending someone? Who will foot the bill? Surely it is time that the Prime Minister added up the total of all these conferences. Four years ago she said that coal production in the Common Market would be doubled, but ever since pits have been shut in nearly every country. Surely to God it is time that the right hon. Lady reckoned up the total cost of this Common Market catastrophe? Instead of wittering on, should not we be coming out altogether?

The Prime Minister: I am afraid that fury is the only emotion that I am allowed by the press. It is rarely true, and I should be utterly exhausted if it was heard half as often as they say. We were disappointed, but that is hardly fury. I do think that the intergovernmental conference is not necessary. After all, that is exactly what I have said the whole time. We could have reached decisions at Milan, and the hon. Gentleman should address his remarks not to me but to my colleagues.

Mr. Ivan Lawrence (Burton): While the imminent possibility of a visit to this country by a joint Jordanian-Palestinian delegation will be most welcome to all of us who care about peace between Israel and its Arab neighbours, will my right hon. Friend make sure that it does not include any representatives of the Palestine Liberation Organisation, otherwise the impression might get about that, for us, terrorism is respectable and can sometimes be rewarded?

The Prime Minister: My hon. Friend knows my views on terrorism. He will also be aware that at present on the West Bank there are people who, although members of the PLO, have roundly and strongly condemned terrorism. For example, several of the mayors of some of those cities have strongly condemned terrorism, and we must try to strengthen the hand of those people.

Mr. Andrew Faulds (Warley, East): Instead of having a tiny tantrum after her failure in Milan, as the Prime Minister appears to have done, would not it be better for Britain if the Government were to commit this country to a European future by attending the intergovernmental conference at the highest level and by accepting whatever amendments to the treaty may be necessary to get European agreement? Otherwise does not the right hon. Lady understand that Britain will become increasingly insignificant in Europe and will end up as a minor country in the second or third tier rank of the Community?

The Prime Minister: No. I would have thought that the hon. Gentleman would have had more regard than that for Britain's interests. There are 10 partners in the Community and there will shortly be 12. To get on best together in the Community as a whole, we must each respect the interests of others and go forward by trying to blend those interests together rather than disregarding them.

Mr. William Cash (Stafford): I congratulate my right hon. Friend on her pragmatic and balanced approach to the Milan conference. Lest the voters of Brecon and Radnor have not taken note of it, does she accept that the alliance is indeed in significant disarray over the use of the veto in Europe in that the right hon. Member for Plymouth, Devonport (Dr. Owen) insists upon the use of the veto even to the point of amendments to the treaty, whereas the leader of the Liberal party is pressing continuously for a federal Europe?

The Prime Minister: They always seem to be in disarray and say what suits their needs at the time.

Mr. Clive Soley (Hammersmith): Did the Prime Minister raise the question of the extradition of the Italian terrorists? If not, what will she do about it? Did not she get into difficulties in Europe because she wanted some economic integration whereas the others wanted political unity? Is she trying to pretend that economic integration does not ultimately lead to political federation?

The Prime Minister: No, the extradition of Italians did not come up in a Community context. I have made it perfectly clear that I am absolutely against a federal Europe, and so, I believe, are the overwhelming majority of our partners in Europe. There is no question of it.

Mr. Nigel Forman (Carshalton and Wallington): As it is likely to be 35 years after the signing of the treaty of Rome before the Community eventually achieves the objective of a fully free and internal market, does my right hon. Friend recognise that there are powerful arguments for putting our maximum weight behind the initiative of Lord Cockfield and others? In that context, will she consider moving towards full British participation in the European monetary system?

The Prime Minister: It is important to get the internal market complete. We have quite a programme and have set a date of 1992. I do not believe that it would be advisable for this country to join the exchange rate mechanism of the European monetary system at present, but we belong to the European monetary system.

Dr. Norman A. Godman (Greenock and Port Glasgow): What role will be assigned to Spain and Portugal at this conference? If they are to participate passively or actively, what is the likelihood of the Gibraltar issue being raised informally with the right hon. Lady?

The Prime Minister: I see no reason why the Gibraltar issue should be raised in that context at all, and I do not believe that it will be. If the hon. Gentleman looks at the article under which the intergovernmental conference is called, he will see that it will consider only the specific amendments to the treaty that have been proposed. As I have said, only two have been proposed, and they were proposed by the Commission. The position of Spain and Portugal is for the presidency during the coming six months, but it was indicated that Spain and Portugal would attend that intergovernmental conference, as any recommendations that came out would affect them. They will probably be at the next European Council, as they were present at this one, as observers.

Mr. Eric Forth (Mid-Worcestershire): In adding my support to those who have welcomed the Prime Minister's vote against this unnecessary conference, may I ask my right hon. Friend, nevertheless, to say whether the terms of reference of the conference are those set out in the Dooze report, which was the main vehicle in recommending the conference—in other words, that the mere holding of such a conference would in itself be the first step towards so-called European union?

The Prime Minister: No. We spent a long time on the amendments that were to go to an intergovernmental conference. Only two amendments have been proposed, one on equivalence of qualifications and the other relating

[The Prime Minister]

to the unanimity rule on directives. Germany disagreed that a third commission proposal on tax harmonisation should even go to the conference, and had Germany not disagreed, we would have raised the matter as well. Therefore, this conference will have a very limited agenda. I am not sure whether the presidency, which for the next six months is held by Luxembourg, will then admit proposed amendments from either member Governments or the European Assembly. That will be a matter for the presidency.

Mr. Robert Maclennan (Caithness and Sutherland): If the Prime Minister put forward her proposals for improvement of decision-making in the belief that they were practical rather than vague aspirations, will she take the same view about them if they are proposed as treaty amendments and not merely resist, because other countries would prefer to see these practical proposals embodied in a revision to the treaty?

The Prime Minister: They do not need or require an amendment of the treaty. There would be a considerable advance in practice, which would mean considerable progress in the Community. None of them needs an amendment of the treaty.

Mr. Harry Greenway (Ealing, North): Does my right hon. Friend accept that the announcement that there is to be intergovernmental co-operation against terrorism is unanimously welcomed? Can she say how soon the new measures will be in place and, if possible, what they are likely to be and whether Greece will accept them?

The Prime Minister: Co-operation against terrorism goes far wider than the Community. It includes the economic summit nations but goes wider than that, and includes the Council of Europe. We did not discuss widely what those measures are. However, I can assure my hon. Friend that we co-operate and that we are trying to step up the safeguards, particularly at airports, for aircraft in flight and at the airports where those aircraft call. It is best to say no more than that.

Mr. John Stokes (Halesowen and Stourbridge): Is my right hon. Friend aware that although in recent months I have increasingly had serious doubts about the European Community, I differ from those of my hon. Friends who criticise the European Community because I am bound to ask myself whether I should do any better in my right hon. Friend's seat, or whether they would do any better, or whether any other hon. Member would do better. I think not. [HON. MEMBERS: "Hear, hear."]

The Prime Minister *indicated assent.*

Mr. Tim Yeo (Suffolk, South): Can my right hon. Friend say whether, during the weekend in Milan, any of her European counterparts sought her advice about those policies that have led to Britain enjoying a faster rate of economic growth than any other member of the Community?

The Prime Minister: I cannot say that we spent a very long time discussing that matter. Nevertheless, one of the reasons for completing the internal market and technological co-operation is that it can lead to increased growth, an increased standard of living and an increase in the number of jobs. That is a matter that affects greatly all Community states.

Mr. Henry Bellingham (Norfolk, North-West): When my right hon. Friend was in Milan did she have an opportunity to ask about the European Commission proposal that payments should be made to certain officials to take early retirement because of the accession of Spain and Portugal to the Community? Is she aware that those payments might cost more than £70 million a year? Why should the British taxpayer pamper these spoiled Eurocrats?

The Prime Minister: The proposals are still under consideration. My hon. Friend will not be surprised if I say that we wish to keep these payments as low as possible.

Mr. Jonathan Aitken (Thanet, South): Now that my right hon. Friend has faced the reality in Milan of her European partners' disappointing response to the British initiative, does she not think that the time has come for this country to adopt for the first time a constructive approach to President Mitterrand's proposals for a two-speed Europe? Quite apart from the practical advantage of looking at the options of such a policy, has my right hon. Friend considered that at Brecon and Radnor and in many other contests the slogan "Going Slower in Europe" might be popular?

The Prime Minister: I am afraid that I must disagree with my hon. Friend. I do not believe that there should be a two-speed Europe, nor do I believe a great deal of the rhetoric that sometimes emerges from these meetings. The reason is that when we look at specific examples and specific cases most countries take into account their own interests and their accountability to their sovereign Parliaments. In reality I do not think that there is anything like so much difference between us as sometimes appears at the end of these meetings. I pointed out to some of my colleagues in the Council that this country's record in obeying the laws of Europe before the European Court is one of the best. For example, in the European Court Italy faced six times as many actions for infringing the law as the United Kingdom, that is 76 actions. France faced about four times as many infraction proceedings as the United Kingdom, 45. Belgium faced three times as many, 37. Only Denmark faced fewer cases than the United Kingdom. Denmark and the United Kingdom have been best, and Denmark and the United Kingdom stuck together at Milan.

Mr. Nicholas Budgen (Wolverhampton, South-West): Is not the extension of the practice of majority voting at least a small step towards a federal Europe?

The Prime Minister: No, Sir. As my hon. Friend is aware, majority voting is already provided for in the treaty. There are occasions when that suits us, and obviously there are occasions when it does not, but we have not suggested a change in the treaty.

Mr. Neil Hamilton (Tatton): Has the Prime Minister noticed that the right hon. Member for Islwyn (Mr. Kinnoch) failed to come up to his usual standard in his question this afternoon? Is that because his minder, the hon. Member for Livingston (Mr. Cook), is not here to tell him what to say? In view of my right hon. Friend's welcome commitment to oppose moves towards European federalism, what does she have to say about the statement on page 33 of the Dooge report, that "a conference of heads of state or Government to negotiate a draft European treaty would represent the initial act of European union"?

The Prime Minister: That was the majority view of the Dooge committee, not ours. Once again it comes down to the use of the phrase "European union", which to this country means European federation; but it does not mean that in Europe. They are as much against a federal Europe as we are. I wish that we could drop the phrase "European union".

Mr. Richard Hickmet (Glanford and Scunthorpe): Does my right hon. Friend agree that one of the most serious international trading issues facing the European Community is the current trade imbalance with Japan, which is running, I believe, at £10 billion this year? What discussions did she have with her colleagues at the summit? Is there any prospect of action being taken to reduce the imbalance in bilateral trade between Europe and Japan to deal with Japan's international trading tactics? If the representations to Mr. Nakasone are ignored yet again, what will be done?

The Prime Minister: Mr. Nakasone is making a visit to Europe and also to the European Commission. It was suggested at the European Council that Japan should adopt a specific target for imports to ensure that there is some means of examining how well she is doing in practice in making reductions in her balance of trade surplus and should revalue the yen so that it alters her competitive position with other countries. We shall have to consider whether to put up barriers to Japanese goods if she is not prepared to open her market to our goods, as we are prepared to open our markets to hers.

WELSH AFFAIRS

Ordered,

That the matter of Education and Training in Wales, being a matter relating exclusively to Wales, be referred to the Welsh Grand Committee for their consideration.—[*Mr. Neubert.*]

STATUTORY INSTRUMENTS, &C.

Ordered,

That the Fish Producers' Organisation (Formation Grants) (Amendment) Scheme 1985, be referred to a Standing Committee on Statutory Instruments, &c.—[*Mr. Neubert.*]

Heathrow (Jokes)

4.27 pm

Mr. Ian Lloyd (Havant): On a point of order, Mr. Speaker. I seek your guidance. Nobody will be more aware than you, of this House's jealous regard for its prerogative and privilege to consider, pass and monitor the administration of the laws of the United Kingdom. Therefore, it was a matter of the gravest concern to many hon. Members to discover that a comparatively minor official could apparently make a statement over the weekend declaring it to be an offence and a crime in the United Kingdom to make a joke at Heathrow and that within 24 hours two courts, one at Aberdeen and the other at Uxbridge, could impose fines of £1,500 and £150. Is not this a matter that the House should consider at once?

Mr. Speaker: Order. It is not a matter for me. In this country, we live under the rule of law.

Education (Cost of School Transport)

4.28 pm

Mr. Patrick Nicholls (Teignbridge): I beg to move,

That leave be given to bring in a Bill to require a local authority to meet the travel costs of a child attending a school where the parents have nominated a school other than that chosen by the authority providing the necessary criteria are met as regards the age of the child and the distance to be travelled and subject to certain limitations on distance.

The Bill would make certain provisions for local education authorities to provide free school transport for those children whose parents had exercised their right under section 6 of the Education Act 1980 to nominate a school of their preference. This would be subject to two conditions being met. First, the present criteria of the age of the child and the distance of the child's home from the school would have to be satisfied. Secondly, the school chosen by the parents would have to be within the area of either their own or an adjacent local education authority.

The law relating to the provision of school transport is far from clear. For some time past there has been considerable speculation about precisely what is the obligation of local education authorities towards school transport.

The commonly accepted position is that the combined effect of section 56(1) and (2) and section 39 of the Education Act 1944 is that a local education authority is under a duty to provide free school transport for children who live beyond walking distance to attend the nearest suitable school. "Suitable" in that context is taken to mean suitable in terms of age, aptitude and, where appropriate, sex and religious denomination. Walking distance for a child of eight or under is two miles and, for a child above that age, three miles.

The significance of free transport can be readily seen in the context of Devon, the third largest shire in England. Third only to north Yorkshire and Cumbria, it covers about 2,500 square miles and has about 8,125 miles of roads, twice the mileage of any other county.

Before the passing of the Education Act 1980, disputes in Devon about the circumstances in which free transport should be available could have presented themselves only where the parents were of a specific religious denomination. The passing of the Education Act 1980 changed all that. Section 6 gave parents the right, subject to some safeguards, to have their children educated at a state school of their choice. The question that immediately arises is whether, when all the other conditions are met, the local authority can be compelled to meet the cost of school transport for those who exercise their rights under the Act.

There is an argument in logic, though not in reality, that the state should not have to provide free school transport. Although a parent has a choice about where he wishes to live, this country has had compulsory state education for well over a century, and no reasonable person would seriously question the state's obligation to provide free school transport in appropriate cases. A citizen's ability to exercise his right is therefore dependent upon his having the financial resources to do so, and that cannot be right.

The problem was not unforeseen. In one of their proposals for what eventually became the Education Act 1980 the Government tried to change the law to provide what in their view would have been a fairer system. Under those proposals the local authorities would have been able

[Mr. Patrick Nicholls]

to arrange school transport and charge for it at a flat rate, while offering it free where there was genuine financial hardship. It is a matter of history now that those proposals were defeated in another place. I doubt whether the ramifications of what was done would have been fully appreciated at the time.

In a statement of guidance issued on 15 December 1981, the Department of Education and Science pointed out that the law relating to the provision of school transport and the payment of travel expenses had not been changed, although the Secretary of State asked LEAs to consider offering free or concessionary transport, or to pay travelling expenses for children whose parents succeeded in obtaining a place for them in a school not considered to be the nearest appropriate one to their home, provided that the distance requirements were satisfied. In so far as one can generalise, LEAs were apparently appalled by that suggestion.

The present position can no longer be tolerated. Section 55(1) of the Education Act 1944 imposed a duty on LEAs to make such arrangements for the provision of transport "as they consider necessary". Are we now to have two classes of school — those considered by the local authority to be necessary and those chosen by parents in the exercise of their statutory rights under section 6, which are in some way considered to be unnecessary? To put it another way, LEAs are under an obligation to provide transport to the nearest appropriate school, and normally, that would mean that the LEA had arranged for the student to attend what it would regard as being the nearest appropriate school. Are we now saying that if a parent is successful at first instance or on appeal in nominating a school under section 6, that is not to be considered as appropriate? That is the way in which the law is being interpreted at present. Devon county council regards the appropriate school as being the one that it chooses, and that position has been echoed by other LEAs.

A number of LEAs have emphasised that a lack of free transport to other than the nearest appropriate school — as decided by them — was a factor that should weigh heavily with parents when stating their preferences.

Inevitably, in a completely unsatisfactory position anomalies abound. It would be possible for a parent to choose a school that was nearer than that chosen by the

authority, so that at first sight the local authority would make a saving, only to find that the local authority would make a far bigger saving because it would not contribute. It would be equally possible for a parent, who lives just inside the border of his own LEA, to choose a school that was just the other side of the border, still sufficiently far away, apparently, to qualify for free transport, and to find that it would, nevertheless, be nearer than the nearest appropriate school within his own LEA area.

Hon. Members will be aware that the case of *Rogers v. the Essex county council* is presently under appeal. That case is of course sub judice. In any event, it deals with a far narrower point — the considerations that may be taken into account in deciding the length of the route to the appropriate school. The Bill, while modest in its intentions, is more radical than that. It would ensure that in a matter of fundamental interest to us all no child is deprived of his rights merely because his parents cannot afford to exercise them.

I have no pride in authorship. There will be matters that hon. Members will wish to consider in Committee. Hon. Members might want to qualify the reference to an adjacent LEAs by reference to a prescribed distance within that LEA. Important though that is, it would be a point of detail.

I have presented a measure that commands support from the two principal Opposition parties. It is a Bill that would remedy an injustice which, if not widespread, is significant. For that reason, I ask that I be given leave to introduce my Bill today.

Question put and agreed to.

Bill ordered to be brought in by Mr. Patrick Nicholls, Mr. Roger Gale, Mr. Richard Hickmet, Mr. Gerald Bermingham, Mr. Alex Carlile and Mr. Tony Speller.

EDUCATION (COST OF SCHOOL TRANSPORT)

MR. PATRICK NICHOLLS accordingly presented a Bill to require a local authority to meet the travel costs of a child attending a school where the parents have nominated a school other than that chosen by the authority providing the necessary criteria are met as regards the age of the child and the distance to be travelled and subject to certain limitations on distance; And the same was read the First time: and ordered to be read a Second time upon Friday 5 July and to be printed. [Bill 178.]

E. R.

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Study

SPLACU

STATEMENT BY THE PRIME MINISTER

ON THE

EUROPEAN COUNCIL, MILAN

28-29 JUNE

With permission, Mr Speaker, I should like to make a

Statement on the European Council on 28-29

June at which my Rt. Hon. and Learned Friend

the Foreign and Commonwealth Secretary and I

~~represented the United Kingdom.~~ *attended*

~~I have arranged for the conclusions of the~~

~~Council to be placed in the Library of the~~

~~House.~~

*Someone in
Some ~~department~~ ~~to~~ ~~advance~~ ✓*

~~The United Kingdom put forward before the European~~

the U.K. had considered
Council (specific proposals for the

development of the Community, covering:-

- ~~the~~ completion of the *internal* ~~Common~~ Market,

- strengthened political co-operation,
- improvements in decision-making
- ~~- and the better exploitation in the market~~
- ~~of advances in high technology.~~

Texts of these have ~~also~~ been placed in the

Library of the House, *together with a proposal*

we made at the European Council on exploitation
of through the Common market of advances in ~~high~~ technology

We therefore went to the European Council hoping for

The Council ~~never~~ offered us opportunity for decisions
~~decisions which would have allowed the~~
over the broad range of these proposals.

~~Community to take practical steps forward.~~

A number of important decisions were taken

~~Some of those decisions were taken.~~

The European Council decided that in making

progress towards achieving the single
internal market for goods and services in the
Community by 1992 priority should be given

to:

- the removal of physical and technical
barriers to the movement of goods;
- a free market in financial services;
~~including~~
- a free market for transport;
- liberation of capital movements;
- full freedom of establishment for the
professions.

*Standards
non-law
bancis.*

These are the United Kingdom's own priorities.

On political co-operation the European Council decided

to set in hand the work necessary to ^{reach} ~~finalise~~

a ^{an} ~~formal and binding~~ agreement on the lines

proposed by the United Kingdom, taking

account also of a subsequent Franco-German

text which is ^{very similar} ~~almost identical in its main~~

~~provisions.~~

Such an agreement would allow the Community

to play a more significant and influential

part in world affairs.

On technology the European Council expressed its determination that advantage should be taken of the large Community market to encourage new technology and to put European manufacturers of high technology products on a par with West American and Japanese counterparts.

As an incentive to do manufacturing
~~I proposed that in order to encourage~~
 collaboration between companies ^{*we proposed*} (there should

Le type be a guarantee that markets, including public purchasing, in Community countries would be genuinely open to the products of such collaboration.

~~There will be a meeting of a high-level~~

~~Committee before 14 July in order to progress~~

~~*As a result of progress*~~

^{the}
 the various collaborative projects known as
 Eureka and the United Kingdom's suggestions
 on a Eurotype guarantee.

By contrast, on the ^{procedures} ~~same~~ ^{for} ~~matter~~ ^A ~~primary~~ ^{decision}
 On decision making, however, a majority of the European

Council preferred to postpone action by ^{and}
~~referring various proposals for amending the~~
~~Treaty to an inter-governmental conference.~~
^{settling by}

The United Kingdom's view was that some
 positive improvements in the Community's
 decision making ^c should have been decided
 there and then. and did not necessitate any
 Treaty amendment.

We regret this unnecessary delay but will
 naturally attend any such conference and

shall continue to press for practical steps to improve decision making which do not impair our ability to safeguard our national interests.

Any changes to the Treaty would of course require unanimity, *and would have to be ratified by the Parliament of each country.*

The European Council discussed the economic and social situation in the Community and, in particular, growth and employment.

The Commission was invited to prepare a detailed report comparing performance with other major industrialised countries and concentrating on strategies which could contribute to improving growth and

employment.

The Commission reported on the steps being taken to give effect to the British initiative on deregulation at the last European Council and will make its detailed proposals before the next meeting.

The European Council broadly endorsed the second report of the Committee on People's Europe. I emphasised the importance of the recommendations on cutting the burden of Community legislation and in particular, making easier the availability of medical care for British citizens when abroad.

In addition the European Council agreed the value of launching a European action programme against cancer.

The European Council unanimously agreed on the need for

a significant increase in Japanese imports of manufactures and processed food products.

It also called on Japan to liberalise its financial markets and give an international role to the yen.

These points will be emphasised to the Prime Minister of Japan during his forthcoming visit to Europe.

We also discussed the serious problems of terrorism

and hijacking.

We agreed on a very firm approach and the need to work at further specific measures of co-operation against these evils.

Finally, the European Council discussed famine in

Africa, noting that two-thirds of the 1.2 million tonnes of cereals agreed at Dublin had already reached the recipients or was on route.

In line with our views the European Council decided that it should work out a co-ordinated strategy against the effects of drought in the Third World and give priority to helping developing countries achieve

security of supplies and fight the battle
against the advancing deserts.

Mr Speaker, by agreeing steps to remove the remaining
barriers to trade in goods and services
within the Community and to strengthen the
competitiveness of our high technology firms,
the Milan European Council contributed to the
Community's economic strength and to the
creation of wealth and new jobs.
But this was a lost opportunity to take
action here and now to strengthen foreign
policy cooperation and to improve decision
taking.
These issues will now be discussed in a

further conference.

The United Kingdom will be present and will
make a constructive contribution on the basis
of action rather than words.



Qz.04533

MR POWELL

PARLIAMENTARY STATEMENT

I still prefer my draft of paragraph 4 on decision making. I have, however, based myself on your revised draft and I attach:-

- (i) revised paragraph on decision making;
- (ii) revised paragraph on the economic and social situation and revised conclusion (replacing your last three sentences).

DF Williamson

D F WILLIAMSON

1 July 1985

C.D.P.

PRIME MINISTER

cc Mr Butler

Mr Flesher

EUROPEAN COUNCIL AT MILAN: STATEMENT TO THE HOUSE

I attach a first draft of a Statement to the House on the Milan European Council, together with the conclusions (available only in French so far). Supplementaries will follow tomorrow.

edp

C D POWELL

30 June 1985