

PRIME MINISTER

JIMMY YOUNG SHOW: EUROPEAN COMMUNITY

I understand that Jimmy Young wants to devote a fair proportion of tomorrow's programme to European matters. Points you might make are:

- When you came to office Britain was paying a very unfair share of the cost of the EC. The first thing you had to do was set that right. It took time, but you succeeded. Our rebate was worth £3 billion over the last three years. This year alone it will be £1.6 billion.
- But we are still paying a substantial sum to the Community, which is why you have been determined to see the EC economise and cut down on wasteful spending. You finally got agreement on legally binding controls on spending this year.
- Our other great priority has been to see the Single Market completed. That is now accepted as the Community's main task and will occupy much of its time between now and 1992. It will be a major step forward: a single member of 320 million, with no visible or invisible barriers to trade. Britain should be able to benefit enormously from that, particularly when the Channel Tunnel is completed in 1993.
- All this has been part of your struggle to make Europe less theoretical and more practical. In the past there has been too much time spent on discussing things like European Union. No-one was quite sure what it meant but it provided material for endless hours of happy debate by Eurocrats. Now we have got away from that and are focussing on more productive matters such as how to reduce the burden of regulations on firms and businesses.
- That is important. Here at home the Government have reduced bureaucracy and we don't want to find that it simply increases in Europe. That is the socialist way, trying to run everyone's lives. We want to simplify rules,

reduce the number of forms and let the people who create wealth get on with it.

- Yes, we have had to cede some powers to Europe. That was part of the Treaty of Rome, and it goes with the aim of having common policies and doing things alike. But I don't believe we shall ever have a United States of Europe. Greater co-operation between individual European states, each with its own traditions and history, yes. A more united Europe, yes. But not one in which we lose our distinctive British character or give up Parliament's crucial role. I don't believe Parliament itself would let that happen, and I certainly don't want to see it.

- That means that I don't want to see the EC decide on our taxes, I don't see the need for a European Central Bank or other institutional monstrosities. Nor do I see the EC as a giant equaliser, bringing everyone down to the same level. The purpose of the EC is to help generate more prosperity for everyone, and that comes from allowing the greatest amount of freedom.

- The Commissioners are very important which is why we go to so much trouble to appoint good ones. Leon Brittan has unrivalled Ministerial experience and will make an enormous contribution. Lord Cockfield has done wonders in Brussels, particularly on the internal market, but I do not think people should serve too long in Brussels and of course he would be nearly 76 by the time he finished if he served a second time.

Some additional supplementaries are attached.

C D P

CHARLES POWELL

26 July 1988

PRIME MINISTER

THE JIMMY YOUNG PROGRAMME

You are to appear on the Jimmy Young Radio Programme between 11am and 11.55am tomorrow morning. The main thrust of his questioning will be about the European Community and the Common Market; your views on it; Britain's role in the Community; how you see it developing in the future and the changes you would like to see; the advantages and disadvantages of the single European Market in 1992 and no doubt about the appointment of new Commissioners.

If there is time towards the end of the programme he will ask you about your third term of office probably concentrating on the fact that there appears to be a social theme with the Government concentrating on improving standards across the board - education, environment, housing, inner cities, health services etc.

Your interviews with Jimmy Young in the past have been on a friendly basis and his questioning is normally to inform his listeners rather than score points off the interviewee.

Programme

10.30am Leave No 10

10.45am Arrive at Broadcasting House where you will be met by:

Bryant Marriott, Controller Radio 2.

David Hatch, Managing Director Network Radio

John Gurnett, Senior producer, Jimmy Young Programme

11.55am Leave Broadcasting House for return to No 10.

I will accompany you to the BBC.

T. J. P.

Terry J Perks
26 July 1988



*Beet
Add to Jimmy Young
file - 27/11*

ARSS

Foreign and Commonwealth Office

London SW1A 2AH

26 July 1988

*CD
27/7.*

Dear Charles,

Jimmy Young Show: European Community

I sent you, as requested, our latest batch of EC supplementaries, including those covering appointment of EC Commissioners. These were cast inevitably as defensive points for Parliament. The following more positive presentation might be best for The Jimmy Young Show:

- The Brussels European Council marked a major success in our campaign for effective control of EC spending. We have got a new, and legally binding, framework for control of CAP costs. We've stopped the nonsense of spending more than half the budget on storing and selling off farm surpluses. The butter mountain is down 54% in the last year, skimmed milk powder stocks down 95%.

- Getting the basics right, at last, means we can now concentrate on 1992, and the major benefits it will bring to the Community and to Britain. 200 individual measures now agreed. Strongly in UK interest to open up a home market of 320 million. Bigger than US or USSR.

- Since 1979 we've been opening up UK markets - with privatisation, "Big Bang", trade union reform, "bonfire of controls". We want to see the same process, Community-wide. It means more opportunities for enterprise, and so much more growth and more jobs.

- Example: Road Haulage. Some EC countries still have a quota system. Means the lorry driver delivering to Hamburg load from Hull may be banned from picking up a load for the return journey. So his costs, and the exporter's and the consumer's are higher. But this summer we've got everyone to agree that by 1992 all these quotas will go.

- The next key area in the financial sector, where a similar liberalisation will cut costs for everyone. We led the way in abolishing exchange controls in 1979: our partners are now following suit. And the market in insurance and financial services is opening up. A major opportunity for the City of London.

/So



- So the 1992 campaign has our whole-hearted support. We're making a reality of the Common Market. And British business and industry must get ready. Hence David Young's publicity campaign. Channel Tunnel, open from 1993, the best symbol of the new opportunities the Community offers. Let's seize them.

Yours ever,

L Parker

(L Parker)
Private Secretary

C D Powell Esq
10 Downing Street

SUPPLEMENTARIES

What criteria for appointing?

- The same criteria which have been applied in the past, namely ability and experience. Most but not all previous UK Commissioners have had ministerial experience.

What Treaty requirement? How appointed?

- Commissioners are appointed by common accord of the governments of the member states (Article 158). Commissioners are to be chosen "on the grounds of their general competence, and whose independence is beyond doubt" (Article 157). Conference of Member States will probably take place in December, to consider the nominations made from capitals.

Will he be a Vice President?

- Vice Presidents are appointed (for two years) by common accord of the governments of the member states. Since we joined there has always been a UK Vice President (or President).

How many Commissioners need to be appointed?

- The reappointment of M. Delors as President of the Commission was announced at the European Council in Hanover. Sixteen Commissioners must be chosen to serve under him. In addition to the two new UK Commissioners, several other member states are also expected to make new appointments, and some have already announced that they will.

Delors' reaction?

- That is a matter for him. He was of course informed in advance, as is appropriate.

Will the UK lose Internal Market portfolio - Delors pique?

- Allocation of portfolios is worked out by the new Commission itself, under M. Delors' chairmanship. No doubt M. Delors will discuss with the member states later in the year. My Rt Hon Friend is very well placed to get a major portfolio.

Westland makes Brittan unacceptable?

- Nonsense. My Rt Hon Friend has held three of the great offices of State. Apart from Lord Jenkins of Hillhead, who went to Brussels as President of the Commission, My Rt Hon Friend is the most senior ever nominated for appointment as a Commissioner.

/Lord

Lord Cockfield replaced British politician because of tax approximation argument?

- Specific issues of policy not a factor. The Treaty requires Members of the Commission to "be completely independent in the performance of their duties".
- Has long been my view that a single term is the right normal period of service.
- House will wish to pay tribute to major contribution made by Lord Cockfield to Community's Internal Market Programme. But he would be 76 at expiry of a second term. And all but one of those from the UK who have served as Commissioners have served for only one term.

Zero rates of VAT

- We stand by our commitment to maintain zero rate on food, domestic fuel, children's clothes and shoes.

Reappoint Clinton Davis?

- I shall be consulting the Leader of the Opposition about the appointment of a second Commissioner, as is normal practice.

UK not serious about EC?

- The key issues on Europe's agenda are ones we are pushing hard. The strong Community interest in making a reality of the Single Market coincides with a strong UK interest.
- Hanover European Council set sensible priorities on Single Market:
 - public contracts;
 - banking and financial services;
 - standards;
 - patents and trademarks.
- Single Market progress made this year, particularly on liberalisation of road haulage, and capital movements, is very welcome, will greatly benefit the Community, and follows strong UK pressure.

Cockfield wants single currency post-1992 (The Times, 25 July)

- Personal views. As House knows European Council at Hanover established a Committee to study next concrete stages towards economic and monetary union (the ultimate goal confirmed in the Single European Act, which was approved by the House).

/Central

Central Bank by majority vote? (Article 100A)

- Establishment of a Central Bank would fall into the category of major institutional change. As such, Article 102A of the Treaty makes clear that Article 236 procedures would apply. That means a requirement for unanimity and ratification by national Parliaments.

[If Dr Owen makes his point again]

- The RHG forgets that Article 100A applies only to single market proposals for which provision does not exist elsewhere in the Treaty. 102A governs economic and monetary convergence. So his point falls.

Rover demonstrated excessive Commission powers

- Rover deal good for Europe and for Britain.
- Under Articles 92/93 of Treaty the Commission's involvement in cases of state industrial aid is mandatory. There is nothing new in the Commission exercising its powers: the Treaty requires it to do so.
- And it is in the UK interest that it should. Other member states give more substantial state aids to industry, and we want a level playing-field and fair competition.

1992 and frontier controls

- Single Market is primarily about abolishing barriers to free trade in goods and services. No question of sacrificing essential security.
- We want to make travel easier for Europe's citizens. But that does not mean abolition of all frontier controls, as was recognised at Hanover.

EXTERNAL ISSUES

US Trade Bill

- Following Presidential veto of US Trade Bill on domestic grounds (plant closures) revised legislation has been submitted in two parts: Trade Bill and Plant Closures Bill. Trade Bill has passed the House. Likely to pass the Senate in August/September. Possible that President will sign in the Autumn.

- The Government, our EC partners and the Commission have consistently made clear that if Congress passes protectionist legislation which affects our interests, the Community will have to act in accordance with its rights under GATT.

EC/US Disputes

- We have supported two-track policy in EC:
 - . always to do utmost to secure negotiated settlement to disputes, because trade wars hurt both sides;
 - . but prepared to defend interests if threatened by unilateral US action.

EC/US Agricultural Disputes

- Important not to let these get out of hand. We are urging Community to find solution to problems over EC ban on hormone-treated meat. Experts pursuing this question urgently.
- US action in GATT on EC oilseeds regime unhelpful and ill-timed. Important not to damage prospects for progress in the Uruguay Round.

EC/JAPAN

- Need to put relationships on broader footing: wider exchange of views on political and economic issues.
- Evidence of Japanese willingness to do this (Secretary of State's and Lord Young's visits, Takeshita's visit to London).

EC Action

- As reaffirmed at April FAC, Community strategy on two levels: sustained pressure for structural reform at macro-economic level, backed by pressure to deal with specific market opening problems and unfair Japanese trading practices.
- Objective to make Japanese markets as open as ours: not to close our markets to them.

Alcoholic Drinks

- Continued pressure for satisfactory measures to remove discriminatory practice as quickly as possible in line with GATT ruling has paid off.
- Japanese proposals represent significant step forward.

External Implications of Single Market

- Purpose of creating Single Market within Community is to encourage trade and competition by removal of internal obstacles to free flow of goods and services: to remove barriers; not put up new ones. Welcome commitment at hanover European Council to an open Single Market.

GATT URUGUAY ROUND

General

- Success vital to strengthening of open trading system.
- Real negotiations now under way. Will be looking for progress on broad front, including agriculture, services, intellectual property, dispute settlement.
- Toronto Summit gave useful political impetus to negotiations, particularly on agriculture.

Agriculture

- First attempt to tackle comprehensively in GATT.
- Need to cut back competitive subsidies which push up costs, exacerbate trade tensions and damage developing country agriculture.
- UK will continue to work within EC to ensure constructive approach in negotiations in Geneva.
- European Council agreement on agriculture represents important first step by Community on the course charted at Punta del Este.
- Look to other Uruguay Round contracting parties to take similarly constructive steps and to negotiate constructively.

EC/EASTERN EUROPE

What is going on?

- EC/CMEA Joint Declaration signed on 25 June. Establishes official relations between two bodies, and provides for development of co-operation in areas of respective competence.
- Community is negotiating trade and cooperation agreements with Hungary and Romania, and a trade agreement covering industrial products with Czechoslovakia. EC/Hungary agreement initialled on 30 June. Very much welcome agreement. UK played major part in helping to break deadlock towards end of negotiations. Agreement should be reached with Czechoslovakia before summer break. Negotiations with Romania currently on hold in view of Romanian inflexibility and their current approach on economic and human rights issues.

UK/EC Objective?

- As part of pursuit of better relations between East and West, to foster closer economic ties between Community and Eastern European states on the basis of mutual advantage.

Scope for EC Cooperation with CMEA?

- Commissioner De Clercq has set out EC view: difference in roles of EC and CMEA precludes agreements on trade matters - these are for individual CMEA states. But could envisage working together in such areas as environment, economic forecasts, statistics and industrial standards.

INNER GERMAN TRADE

- Protocol on inner German trade an integral part of Treaty of Rome. Accepted by UK on entry in 1973. Provides continuation of established trading arrangements between FRG and GDR (ie duty free access).

- But this does not give automatic duty free access for goods of East German origin to markets of other member states: Goods can only be considered to be of West German origin if they undergo some further production process in FRG.

Why does it exist?

- Important element in long standing FRG political and legal case that the GDR is not a foreign country, and that the inner German boundary is not an international frontier. UK supports their case.

Protocol gives FRG companies unfair advantage over their EC competitors?

- Inner German trade subject to many procedural regulations. In addition, Article 3 of protocol gives individual EC member states power to take independent action to ban update should detrimental effects arise from such trade.

POST-CHERNOBYL: CONTAMINATION OF FOODSTUFFS

- 14 December FAC reached common position on long term regulation covering radioactivity in foodstuffs in event of nuclear accident.
- As part of agreement, Council reintroduced separate regulation governing importation of foodstuffs following Chernobyl accident.
- UK has long accepted need for regime which would enable Community to act quickly and collectively in event of future nuclear accident.
- Have consistently argued that contamination limits should be based on scientifically valid advice. But were prepared to show flexibility in interests of achieving agreement.

- (if export of contaminated foodstuffs raised) In UK, foodstuffs considered fit for export only if already passed fit for consumption in domestic and EC market.

FISHERIES POLICY

Quota Hopping by Spanish Vessels

- Aware of the problem. Part II of Merchant Shipping Act has introduced changes in law relating to the registration of fishing vessels, limiting ownership to citizens domiciled in the UK.

Complaints by French Fishermen about extension of UK Territorial Sea

- Believe extension of our territorial sea and consequent new baselines are fully in accordance with international law and Community legislation.
- Commission, French and Belgians have differences of interpretation which need to be resolved; Commission's "reasoned opinion", just received, maintains that application of the new baselines to Common Fisheries Policy Regulation has consequences contrary to Community law. Urgently considering our response.
- Meanwhile in interests of preserving effectiveness of Common Fisheries Policy, and in interests of UK fishing industry, UK will avoid action that could exacerbate dispute.

EC/EFTA

- UK committed to strengthening cooperation. Objective is creation of free European economic area.
- Welcome successful outcome of 15 June EC/EFTA Ministerial in Finland at which results of cooperation in a number of areas were identified.

FURTHER APPLICATIONS TO JOIN EC (eg Norway, Austria, other EFTA country)

- Hypothetical. No application from any EFTAN has been received.
- EEC Treaty (Article 237) provides standard procedure for handling application from any European state.
- Swedes have always said that they consider EC membership to be incompatible with their neutrality.
- We welcome closer EC/Sweden (and EC/other EFTAN) cooperation, as far as possible in step with completion of Single Market.

Austrian application? Recent Soviet statement on incompatibility of Austrian membership with Austria's independence?

- No Austrian application has been made, so hypothetical question; cannot speculate.
- As with all EFTAs, look forward to closer EC/Austria cooperation whether or not they apply.

EC/TURKEY

- April 1987 FAC referred Turkish application for EC membership to Commission for preparation of an Opinion, in accordance with standard procedure for dealing with membership applications under Article 237 of EEC Treaty. Cannot predict how long this will take.
- Reserve comment on application until have studied Commission opinion. UK attaches great importance to building up the relationship with Turkey based on the existing Association Agreement.

Why was Association Council not held on 25 April?

- Regret Council did not take place. Hope this temporary setback will soon be overcome.
- (If pressed) Cause of breakdown was terms of proposed reference in Presidency statement to Cyprus as one of the topics for discussion at subsequent dinner (not Council itself).
- The dinner did take place: Cyprus and a number of their political issues outside domain of Agreement were discussed.
- Hope Council can be reinstated. (If pressed) See no need for similar reference to Cyprus: dinner already taken place.

Human Rights

- Must recognise progress made towards restoring democracy.
- But have told Turks that further improvements in democratic system and on human rights essential elements in normalisation of relations under Association Agreement.

Free Movement of Labour

- EC has agreed a common position which takes account of changes in economic and social circumstances, particularly high unemployment, since Association Agreement signed in 1963. This was communicated to Turkish Government in December 1986.

EC/ISRAEL

Cooperation Council

- Took place on 24 May. Useful review of trade and other issues with Israelis (political issues over lunch).

Trade Access

- Understand major group of Palestinian producers have reached agreement with Israelis over implementation of measures to allow access to EC markets. Will be watching closely to see how arrangements work out in practice.

Protocols to EC/Israel Agreement

- Protocols did not receive EP assent at plenary on 9 March. At 6 July Plenary, EP voted to defer decision until October.
- Vote entirely a matter for EP: did not seek to influence vote either way.
- EP assent remains essential for conclusion of Protocols. No intention to renegotiate substance of Protocols. Must await eventual passage in EP.

Aid to OTs

- EC aid available in OTs amounts to 3 million ecu in 1987/88.

EC/MALTA

- Welcome Maltese desire for closer links with Community. Look forward to developing relations within Association Agreement.

EC/MOROCCO

- Welcome signature of new trade and financial protocols. Look forward to developing relations within Cooperation Agreement framework.

EC/Morocco Fisheries Agreement?

- Welcome signature of agreement. Sensible balance of advantage between Morocco and Community.

Agreement discriminates against Western Sahara

- Government believes Western Sahara issue is for parties in the region to resolve. Terms of Agreement in no way prejudice our position of neutrality.

EC/GULF COOPERATION COUNCIL (GCC)

- Glad to say that first stage cooperation agreement was signed on 15 June. Demonstration of importance we attach to the Gulf and to friendly relations between EC and the Gulf Cooperation Council.

- Next step is for EC to look at possibility of wider-reaching trade agreement. Agreement. Exploratory talks between Commission and GCC began on 14/15 July.

What about effect on UK petrochemical industry?

- First stage agreement makes it clear that any further trade agreement must not put the EC petrochemical industry at an unfair disadvantage compared with, eg US and Japanese competitors.

EC/NEW ZEALAND

Access to EC Market?

- Matter for Community as a whole. UK will continue to ensure New Zealand case is heard. But must recognise that tackling problem of Community's agricultural surpluses will focus attention of UK and other producers on New Zealand exports.

- Explained position to Mr Lange on 26 April.

Effect of New Zealand non-nuclear defence?

- No linkage between this and access in UK view. But will not make it easier to get New Zealand's case across.

EC/ARGENTINA

- October FAC approved agreement with Argentina in negotiations under Article XXIV of GATT.

- This fulfils EC commitment under GATT following enlargement of Community.

- But Commission has made clear that there will be no institutionalisation of EC/Argentine relations as long as Argentina continues to discriminate against UK interests.

EC/ETHIOPIA

EC food surpluses should be used to feed starving

- EC already committed 268,000 tonnes of cereals to Ethiopia, much from European stocks. Further £21m allocated to help with non food aid emergency assistance.

EC should suspend Lomé aid because of human rights abuses

- Priority must be to ensure that aid provided is of direct benefit to people in need and that it is not diverted for other purposes. Will keep situation under careful review.

PW2ADE, 7

EC BULL POINTS: JULY 1988

- Brussels European Council set binding limits on agricultural spending (growth down from 10% to 2% a year); and preserved UK budget abatement.
- All legal, implementing texts now agreed.
- Stabilisers working: in the last 12 months butter mountain down 50%; Skimmed milk-powder stocks down 87%.
- Agreement reached on liberalisation of capital movements. Will remove all exchange controls. Rest of Community following UK example.
- Nearly 200 single Market measures agreed since June 1985 including most recently:
 - = abolition of lorry quotas by 1992
 - = liberalisation of insurance services
 - = mutual recognition of professional qualifications.

Employment

- UK unemployment below EC average: rate now fallen for 22 consecutive months. Our percentage rate has fallen 2.5% in last year to 9.1%: fastest fall in EC. Nearly 1.7 million new jobs since March 1983. In 1983 - 86 (latest period for which we have figures) we created 900,000 jobs - more than rest of EC put together.

GATT Uruguay Round

- Success vital to strengthening of open trading system. At Hanover agreed single market would be open to third countries.
- Toronto Summit gave partial impetus to the negotiations.
- Community must continue constructive role as detailed negotiations continue this year - key issues: services, agriculture intellectual property, disputes settlement.
- Brussels European Council agreement on agriculture represents important move by Community on the course charted at Punta del Este. Look to other Uruguay Round contracting parties to make similarly constructive contributions.

EC/US

- EC prefer negotiated settlement of disputes. But will defend interests if threatened.

EC/Japan

- Sustained pressure on Japan to deal with long term structural and short term market opening/unfair trading problems has had some effect (Whisky).

NOTES FOR INSPIRED SUPPLEMENTARIES TO Q5 AND 9, ANTHONY COOMBS AND MARTIN BRANDON-BRAVO

Q: Does my rt hon Friend agree that the way is now clear for further progress to be made on completing the Single Market to the benefit of UK industry and consumers?

A: Yes sir. The Hanover Summit not only welcomed the progress made under the German Presidency - more than 50 measures were agreed - but set priorities for the coming period. Public purchasing, banking and other financial services, approximation of standards and intellectual property are all priorities with which we agree. In addition progress should be possible on further liberalisation of transport and opening up the market in telecommunications. This will bring better value for money for consumers and taxpayers alike.

Q: Will my rt hon Friend ensure that measures to improve freedom of movement of people inside the Community take account of the need to pursue the fight against terrorism, drug trafficking and illegal immigration?

A: Yes sir. Part of the 1992 achievement will be to make it easier for our people to travel throughout the Community. But less bureaucracy and delay must not mean lower security. We welcome the European Council call for intensified cooperation against terrorism, drug abuse and organised crime, and we must be sure that the necessary safeguards will be in place.

MONETARY

Monetary Cooperation: UK now committed to economic and monetary union?

- Reference in conclusions is to Single European Act approved by this House. Single European Act defines European union in accordance with the solemn declaration of Stuttgart of June 1983. That said "European union is being achieved by deepening and broadening the scope of European activities so that they coherently cover, albeit on a variety of legal bases, a growing proportion of member states mutual relations and of their external relations".

- [As necessary]: The European Council in The Hague in November 1976 concluded "the achievement of economic and monetary union is basic to the consolidation of Community solidarity and the establishment of European union". That language was agreed by the last Labour Prime Minister.

Conclusions effectively commit UK to single currency and European Central Bank?

- No. The task set by the European Council is to study and propose concrete steps towards the objective, reaffirmed in the Single European Act, of the "progressive realisation of Economic and Monetary union." Clearly neither creating a European Central Bank nor issuing a common currency is an early step in this process: indeed the Bundesbank Governor has recently reminded us that even completion of the process does not necessarily require either development.

- I would remind the House that the Single European Act also states that "insofar as further development in the field of economic and monetary policy necessitates institutional change", Treaty amendment, requiring unanimity and Parliamentary ratification, would be required.

But didn't Poehl call for irrevocably fixed parities?

- Poehl referred to the 1970 Werner report definition of eventual monetary union, which did indeed include fixed parities, though not a common currency or single Central Bank. But only between Luxembourg and Belgium does such a fixed parity system exist, and no-one regards it as realistic for the Community as a whole in present circumstances. Should concentrate on practical steps. That is what central bankers will do.

Article 100a can be used to set up European Central Bank by qualified majority?

- Establishment of a European Central Bank would fall into the category of a major institutional change in the field of economic and monetary policy governed by Article 102a of the Treaty under which the provisions of Article 236 shall apply. That means a change to the Treaty, which requires unanimity and ratification by national Parliaments.

Why does Article 100a not apply?

- Article 100a applies only to single market proposals in areas for which provision does not exist elsewhere in the Treaty. In the case of measures to ensure the convergence of economic and monetary policies, explicit provision already exists in Article 102a of the Treaty.

UK getting left behind?

- UK has led the way, and I am delighted that the rest of the Community is now following, in abolition of capital movements and exchange controls. That is fundamental.
- UK has also made positive proposals for:
 - better coordination of monetary policy;
 - development of greater cross-holdings of Community countries by EC members.
 - greater use of the private ecu, in particular by monetary authorities within the Community for intervention and as a reserve asset.
- By ensuring that the issues are referred to Central Bank Governors, we have I believe ensured that such practical issues, on which further progress is a priority, are addressed.

Monetary union implies commitment to join ERM?

- Government have always made clear that it is our intention to join when the time is ripe. As my Rt Hon Friend the Chancellor of the Exchequer said on 16 June, [Col 548] "Clearly, there is a strong case to be made for membership of the exchange rate mechanism of the EMS, and the Government agree that Britain should join. The question is when. The Government have not yet reached the conclusion that the right time has arrived."

SINGLE MARKET

Recent Agreements

- In recent weeks the Community has agreed to several major UK objectives:
 - liberalise capital movements within the Community and to third countries;
 - open up the non-life insurance market to allow insurance to be provided across frontiers;
 - open the public supplies market of the Community to real competition and to enable professionals such as lawyers and architects to practice throughout the Community without having to requalify in every member state.
- After 1992, the present system of quotas in the road haulage market will be eliminated. The effect will be to reduce costs all round, and to improve UK firms' competitive position very substantially.
- All these measures are important elements of the single market.

Next phase

- European Council at Hanover agreed four priorities for coming months: - opening up public contracts - banking and other financial services - standards - intellectual property (trademarks and patents). These are all UK priorities.

UK Priorities

- UK priorities for coming months are:
 - further opening up of financial services markets (particularly banking and securities);
 - mutual recognition of standards for goods and products and of testing and certification procedures;
 - further opening up of public purchasing (including public works contracts and measures to ensure compliance);
 - further transport liberalisation (shipping, air and road services);
 - opening up of telecommunications market;
 - food law measures.

Awareness Campaign

- Campaign launched by sending out 130,000 introductory booklets to businessmen throughout the country. National conference was held at Lancaster House in April.

80?
- Target is for over 90% awareness of single market by end of year. Levels now approaching 78%. Over 40,000 information packs have been sent out in response to requests for further information.

- A series of regional breakfasts and seminars are taking the message around the country. Television, radio and newspaper advertisements are all being used to get message of importance of single market across.

Cost of Campaign

- The first phase of the campaign this year will cost about £5 million. That is a good investment for the future.

Frontier Controls/Channel Tunnel

- We want to make travel easier for Europe's citizens. But that does not have to mean abolition of all frontier controls, whether for EC nationals or non-EC nationals. Both the treaty of Rome and the Single European Act preserve our right to take measures necessary to combat terrorism, crime, drug trafficking and illegal immigration and to protect animal, human and plant health.
- Hanover Conclusions usefully reaffirmed this requirement.
- We are determined to preserve the necessary safeguards against, eg, terrorism and rabies, as we have the right to do.
- This applies to the Channel Tunnel as to any frontier. We are also taking exceptional measures to meet the threat from rabies.
- Article 4 of the Channel Tunnel Treaty says that "The frontier controls shall be organised in a way which will reconcile, as far as possible, the rapid flow of traffic with the efficiency of controls". This remains our aim and, so far as shuttle trains are concerned, is well on the way to implementation.

TERRORISM AND 1992

Single market will make life easier for terrorists ?

- The single market is first and foremost about abolishing the barriers to free trade in goods and services. There is no question of sacrificing our essential security to the desire for quicker and easier frontier crossing.
- The Single European Act retains a requirement for unanimity on measures relating to freedom of movement of people. That was reinforced by a declaration by all member states that nothing in the Single European Act should affect their right to take such measures as they consider necessary for the purpose of controlling immigration from third countries and to combat terrorism, crime [and] traffic in drugs .
- The most powerful weapon against international terrorism remains intensive international cooperation between governments, police forces etc. As Hanover reaffirmed, that cooperation is being intensified among the 12 member states of the Community.

Proposed Directive on harmonisation of arms legislation

- Doubt whether safeguards contained in draft directive are a safe substitute for frontier controls. We are working with other member states to ensure the directive is not adopted in its present form.
- In any case, under the Single European Act, we are entitled to maintain or introduce national measures on grounds of public policy or public security.

Mergers: Rowntree

- In making his decision not to refer Nestlé's or Suchard's bids for Rowntree to the Monopolies and Mergers Commission, Lord Young took account of all factors involved. He also had advice from the Director General of Fair Trading.

EC Merger Control

- Commission have proposed that there should be a Community regulation to control mergers which would create distortions in Community trade. UK willing to take a constructive part in negotiations on these proposals. We have yet to be convinced of need for such a regulation. Questions to address include:
 - value of mergers which would be subject to the regulation. It is important not to catch so many that business grinds to a halt;
 - double jeopardy. We do not want to have a situation in which mergers are caught both by a new regulation and by existing EC Treaty rules;
 - national responsibility. The draft regulation covers mergers which would have an adverse effect on competition. But there may be other public interest grounds on which national governments might still need to be able to block a merger which had not been caught under the Community's provisions;
 - non-legislative barriers to contested take-overs.

Rover

~~- Normal procedures being followed in case of proposed sale of Rover to British Aerospace. We have had contacts with the Commission at both official and political level.~~

Commission's role on Rover

- Articles 92-93 of Treaty specify involvement of Commission over granting state industrial aid. Cannot go into details of these discussions. But case involving the future of a major British manufacturer has been understood by Commission.
- Deal is a good one for Rover, for Britain, and for Community. Will put an end to Government involvement in British car industry, and will put Rover in a position where it can compete freely with other EC car manufacturers.

Lord Young's talks with Sutherland?

~~- A meeting has taken place; some progress has been made; there will be further contacts and our hope remains that issue can be settled soon.~~

Sell out to Volkswagen?

~~- Press reports wide of the mark. Government propose to sell Rover to BAe. Normal consultation with Commission in train.~~

TAX APPROXIMATION

General

- Decisions on Community tax measures require unanimity. That was clearly established in the Single European Act.
- Like others, we have difficulties with the Commission's current proposals on harmonisation of rates of indirect taxation. We are also concerned about the effects of a fall in excise duties on alcohol and tobacco.
- Not convinced that the Commission's regulatory approach is the right one in an enterprise market.
- Commission proposal to replace frontier controls with a complex clearing house system to correct distortions in tax taken between member states. That would be cumbersome, costly and open to fraud. The latter is a commodity of which there is already a surplus in the Community.

Zero-Rates of VAT

- Certain items are zero-rated in UK for social reasons and benefit of final consumer (food, housing, children's clothing).
- We have made it clear that we could not accept any proposals which restrict our ability to use zero-rating.
- On particular items we shall stick to the pledges made by the Prime Minister. [Prime Minister said we shall continue zero-rating of food, domestic fuel, children's clothes and shoes.]

ECJ case against zero-rates

- Judgement of the ECJ was that the UK was not in breach of its Treaty obligations by zero-rating private housing, animal feeding stuffs, seeds and live animals yielding food for consumption. However, the ECJ ruled that certain other items could not be zero-rated, including construction of buildings for commercial or industrial use, water and sewerage services supplied to industry, and fuel and power (other than for final consumers).
- This judgement is based on interpretation of existing Community law (the Sixth VAT Directive) agreed by all member states in 1977. It is entirely separate from the Commission's tax approximation proposals.
- The government will study carefully the details of the judgement and consult interested parties before deciding how it should be implemented.
- My rt hon Friend the Economic Secretary to the Treasury (Mr Lilley) announced a series of measures designed to avoid the damaging effects of a period of uncertainty for the construction industry and to mitigate the effects of the extension of VAT to non-domestic construction.

STRUCTURAL FUNDS

Why will Funds be almost doubled?

- Need to help poorer regions of Community, such as Portugal. In the interest of the UK, which is major overseas investor (eg, second largest in Portugal), and which can benefit from increased commercial opportunities.

Has Britain lost out over Structural Funds?

- Not at all. Will be largest beneficiary from the Social Fund this year to the extent of about £400m. We expect our overall receipts to rise to about £1 billion a year by 1993, from about £750 m now.

Isn't this slower than rise in Funds?

Yes, but inevitable that as Britain is no longer one of the poorer members of the Community and our unemployment is below Community average, our take of the Funds will go down.

What about Highlands & Islands, mid-Wales, Devon and Cornwall?

- Regions need to have less than 75% of average Community GDP per capita to qualify automatically. Northern Ireland qualifies as special case, although its per capita GDP is 85% of average. Mid-Wales and Devon and Cornwall have over 90% of average, Highlands and Islands about 80%. But these regions will continue to benefit from Funds under Objective 5(b) (rural development).

Isn't this second-best?

- No hierarchy among the Funds or Objectives. Important thing is that these regions should continue to have access to all Structural Funds.

Nothing done for unemployment?

- UK receipts from Social Fund over £1 billion in last five years. Largest recipient this year. Expenditure from the Fund will continue to be based on employment and training needs regardless of region.

Other regions

- Areas which have suffered from the decline of long-established industries will be able to benefit under Objective 2 of the Structural Funds. This gives them access to both the Regional Development Fund and the Social Fund. Social Fund will also be available to combat problems of youth and long-term unemployment wherever they occur.

- We shall be negotiating hard over next six months to ensure that as many as possible of the UK assisted areas will receive help from the Funds.

EXPORT OF TOXIC WASTES

- Deplore export of toxic wastes without adequate safeguards. Have provided Nigeria with expert help to deal with dumping of toxic waste there. No evidence that any waste from UK has been dumped overseas.
- EC directive on exports of waste will be laid before Parliament shortly. Exporting countries will have to be convinced that receiving country has adequate disposal facilities before allowing exports to go ahead.

Why does UK oppose ban on export of toxic waste?

- Because a blanket ban, as proposed by one delegation only in the June Environment Council, is not justified or necessary. It could hinder effective disposal of some wastes. Our view is shared by the Commission and other member states. What matters is proper control over disposal. The existing Community Directive, which we are implementing in full, will provide for this.

IMPLEMENTATION OF EUROPEAN COUNCIL CONCLUSIONS

What progress has been made towards implementing Brussels European Council Agreement?

- As the House knows, we insisted that the agreements reached at Brussels should be translated into legally-binding texts. That process has been satisfactorily completed.

When will texts be available to the House?

- The texts implementing the future financing arrangements have now been deposited in the Library of the House.

How will approval of House be sought?

- Now texts have been agreed we have presented a Bill to seek approval of House for the Own Resources Decision and the 1988 Intergovernmental Agreement. 2nd Reading on 11 July.

Are the GNP statistics adequate to ensure a fair calculation for us?

- Importance of GNP under new system of Own Resources for calculating both the overall ceiling and member states' contributions makes it essential that statistics used are reliable. That is why Conclusions of Brussels European Council required Commission to introduce directive to ensure GNP statistics are comparable and uniform. That directive has been unanimously agreed by the Council and a copy placed in the library of the House. GNP directive can only be adopted formally when new Own Resources Decision has been ratified by all the member states, later this year.

BUDGET DISCIPLINE

What's different to promises made at Fontainebleau?

- At Fontainebleau, we had a political undertaking to agree a guideline limit on agricultural spending but it was in the minutes, not in a legally binding text. The guideline could be overridden at the will of the Council in "exceptional circumstances".
- Now we have said the only change there can be in spending is if the value of the ecu against the dollar changes by more than 5%. And if the dollar appreciates in value that will mean an automatic reduction in the amount spent on agriculture.
- Previously, the guideline was not reinforced by the necessary changes in the regulations for each commodity. Now it will be.

What about Annex V of European Council Conclusions providing for action under Article 43, 113 or 203 of EC Treaty?

- Annex V merely repeats what is already in the EC Treaty. It adds no new powers.

AGRICULTURE - FUTURE FINANCING

- Legally-binding ceiling on expenditure agreed at February European Council in Brussels will reduce real growth in agricultural spending from 10% to 2% a year by 1990.
- Stabilisers applied throughout Common Agricultural Policy. Once threshold production levels exceeded, level of support will be reduced. On current production trends, stabilisers package should save £2.3 billion by 1990.
- Have already made great strides in reducing surplus stocks in dairy sector. In last 12 months butter mountain reduced by 54% and skimmed milk powder stocks by 95%.

AGRICULTURE - PRICE FIXING [formal adoption blocked by dispute with Greeks over extent of their green rate devaluation]

- We had two objectives in the negotiation - to ensure total consistency with the conclusions of the February European Council, and to secure a fair outcome for UK farmers. The compromise package agreed at the Fisheries Council on 23/24 June met both objectives.
- The Greeks have questioned the interpretation of one point in the agreement, and discussions are continuing. Meanwhile essential elements of the pricing regime have been implemented. [How?] Commission have done so under management powers, with our full agreement.

COMMON FORMAT PASSPORT

- The so-called "British, blue passport" conformed to a League of Nations design. The new machine-readable British passport, which will be introduced from this summer, remains a national passport issued under the Royal prerogative, with the coat of arms on the cover and the traditional language inside. It is no less British for being more European. The advantage of the Common Format is that it will help speed up passage across frontiers. The fact that CFP is machine readable will speed up frontier controls in countries which are already automated.

Why no choice between old and new passport?

- UK common format passport will be computer-produced. This will make getting a passport quicker. Independent studies concluded computerised system would benefit public.
- Operating old and new systems together would greatly increase costs.

Why no debate?

- Agreement that there should be a Common format passport given in 1975 by the then Labour Prime Minister. Responsibility for passport issues now falls to my rt hon Friend the Home Secretary who has regularly reported to the House on the Government's plans for introducing the CFP. Subject was raised in adjournment debate on 14 June 1984.

HARMONISATION OF SUMMER TIME

EC forcing us to do something we don't want?

- Not at all. We are consulting about three possible options: status quo; harmonising Summer Time ending-date with Europe; moving into Continental time zone.
- This reflects considerable interest in change on part of business, travel operators, road safety experts and others. Government canvassing all views.

Article 100a means Parliament has no say

- Although the 4th Directive is under 100a, it includes a derogation for UK to keep its current system as did 3 previous directives under article 100. We shall consider the treaty base for any future directive: up to Commission to propose treaty base in first instance.
- No reason to believe we can't negotiate satisfactory outcome in future.
- Parliament will debate results of consultation and any necessary legislation.

SOCIAL AREA

- Key to improving everyone's living standards and working conditions is to follow sound economic policies which produce non-inflationary growth and create jobs. We must not squander the benefits of the single market by putting new burdens on business.
- Single market is all about creating jobs. Hanover Council reaffirmed that "Single market offers best prospect for promoting employment". UK unemployment has now fallen for 22 consecutive months.

LARGE COMBUSTION PLANTS

- Agreed at June Environment Council to reduce emissions of sulphur dioxide by 60% by 2003. This should have significant environmental impact. Undertaking to achieve greater reductions would have been poor value for money, as it would have meant retrofitting obsolescent plant.

TRADE DEFICIT

- Trade figures for May show visible trade deficit of £1.7 bn; the balance on invisibles for same month (May) is projected to be in surplus by £0.5 bn. The current account deficit is therefore estimated to have been £1.2 bn. Disappointing but interest rate rise confirms our objective of maintaining downward pressure on inflation.
- Trade figures for January to May show a visible trade deficit of £7 bn, the balance of trade in invisibles is in surplus by £2.2 bn, so the current deficit is estimated to be £4.7 bn.

Budget Estimates

- As my rt hon Friend the Chancellor has already said recent figures suggest that the current account deficit in 1988 will be larger than forecast at the time of the budget. A new forecast will be published in the usual way at the time of the autumn statement.

Deficit unsustainable

- The current account has to balance over the very long term, but not over shorter period. The present deficit is financing higher investment spending by the private sector. Contrast to the experience of the 1960s and 70s when current account deficit financed public sector deficit. Private investment is adding to productive capacity which will boost exports and displace imports in the future.

Deficit caused by excessive consumption

- It is inevitable that strong growth in domestic demand and activity has led to some rise in imports of consumer goods, but it has also led to strong rises in capital goods, intermediate and semi-manufactured goods reflecting rising output and investment.

External Implications of Single Market

- Purpose of creating Single Market within Community is to encourage trade and competition by removal of internal obstacles to free flow of goods and services: to remove barriers; not put up new ones. Welcome commitment at Hanover European Council to an open Single Market.

GATT URUGUAY ROUND

General

- Success vital to strengthening of open trading system.
- Real negotiations now under way. Will be looking for progress on broad front, including agriculture, services, intellectual property, dispute settlement.
- Toronto Summit gave useful political impetus to negotiations, particularly on agriculture.

Agriculture

- First attempt to tackle comprehensively in GATT.
- Need to cut back competitive subsidies which push up costs, exacerbate trade tensions and damage developing country agriculture.
- UK will continue to work within EC to ensure constructive approach in negotiations in Geneva.
- European Council agreement on agriculture represents important first step by Community on the course charted at Punta del Este.
- Look to other Uruguay Round contracting parties to take similarly constructive steps and to negotiate constructively.

EC/EASTERN EUROPE

What is going on?

- EC/CMEA Joint Declaration signed on 25 June. Establishes official relations between two bodies, and provides for development of co-operation in areas of respective competence.
- Community is negotiating trade and cooperation agreements with Hungary and Romania, and a trade agreement covering industrial products with Czechoslovakia. EC/Hungary agreement initialled on 30 June. Very much welcome agreement. UK played major part in helping to break deadlock towards end of negotiations. Agreement should be reached with Czechoslovakia before summer break. Negotiations with Romania currently on hold in view of Romanian inflexibility and their current approach on economic and human rights issues.

UK/EC Objective?

- As part of pursuit of better relations between East and West, to foster closer economic ties between Community and Eastern European states on the basis of mutual advantage.

Scope for EC Cooperation with CMEA?

- Commissioner De Clercq has set out EC view: difference in roles of EC and CMEA precludes agreements on trade matters - these are for individual CMEA states. But could envisage working together in such areas as environment, economic forecasts, statistics and industrial standards.

INNER GERMAN TRADE

- Protocol on inner German trade an integral part of Treaty of Rome. Accepted by UK on entry in 1973. Provides continuation of established trading arrangements between FRG and GDR (ie duty free access).
- But this does not give automatic duty free access for goods of East German origin to markets of other member states: Goods can only be considered to be of West German origin if they undergo some further production process in FRG.

Why does it exist?

- Important element in long standing FRG political and legal case that the GDR is not a foreign country, and that the inner German boundary is not an international frontier. UK supports their case.

Protocol gives FRG companies unfair advantage over their EC competitors?

- Inner German trade subject to many procedural regulations. In addition, Article 3 of protocol gives individual EC member states power to take independent action to ban update should detrimental effects arise from such trade.

POST-CHERNOBYL: CONTAMINATION OF FOODSTUFFS

- 14 December FAC reached common position on long term regulation covering radioactivity in foodstuffs in event of nuclear accident.
- As part of agreement, Council reintroduced separate regulation governing importation of foodstuffs following Chernobyl accident.
- UK has long accepted need for regime which would enable Community to act quickly and collectively in event of future nuclear accident.
- Have consistently argued that contamination limits should be based on scientifically valid advice. But were prepared to show flexibility in interests of achieving agreement.
- (if export of contaminated foodstuffs raised) In UK, foodstuffs considered fit for export only if already passed fit for consumption in domestic and EC market.

FISHERIES POLICY

Quota Hopping by Spanish Vessels

- Aware of the problem. Part II of Merchant Shipping Act has introduced changes in law relating to the registration of fishing vessels, limiting ownership to citizens domiciled in the UK.

Complaints by French Fishermen about extension of UK Territorial Sea

- Believe extension of our territorial sea and consequent new baselines are fully in accordance with international law and Community legislation.
- Commission, French and Belgians have differences of interpretation which need to be resolved; Commission's "reasoned opinion", just received, maintains that application of the new baselines to Common Fisheries Policy Regulation has consequences contrary to Community law. Urgently considering our response.
- Meanwhile in interests of preserving effectiveness of Common Fisheries Policy, and in interests of UK fishing industry, UK will avoid action that could exacerbate dispute.

EC/EFTA

- UK committed to strengthening cooperation. Objective is creation of free European economic area.
- Welcome successful outcome of 15 June EC/EFTA Ministerial in Finland at which results of cooperation in a number of areas were identified.

FURTHER APPLICATIONS TO JOIN EC (eg Norway, Austria, other EFTA country)

- Hypothetical. No application from any EFTAN has been received.
- EEC Treaty (Article 237) provides standard procedure for handling application from any European state.
- Swedes have always said that they consider EC membership to be incompatible with their neutrality.
- We welcome closer EC/Sweden (and EC/other EFTAN) cooperation, as far as possible in step with completion of Single Market.

Austrian application? Recent Soviet statement on incompatibility of Austrian membership with Austria's independence?

- No Austrian application has been made, so hypothetical question; cannot speculate.
- As with all EFTANs, look forward to closer EC/Austria cooperation whether or not they apply.

EC/TURKEY

- April 1987 FAC referred Turkish application for EC membership to Commission for preparation of an Opinion, in accordance with standard procedure for dealing with membership applications under Article 237 of EEC Treaty. Cannot predict how long this will take.
- Reserve comment on application until have studied Commission opinion. UK attaches great importance to building up the relationship with Turkey based on the existing Association Agreement.

Why was Association Council not held on 25 April?

- Regret Council did not take place. Hope this temporary setback will soon be overcome.
- (If pressed) Cause of breakdown was terms of proposed reference in Presidency statement to Cyprus as one of the topics for discussion at subsequent dinner (not Council itself).
- The dinner did take place: Cyprus and a number of their political issues outside domain of Agreement were discussed.
- Hope Council can be reinstated. (If pressed) See no need for similar reference to Cyprus: dinner already taken place.

Human Rights

- Must recognise progress made towards restoring democracy.
- But have told Turks that further improvements in democratic system and on human rights essential elements in normalisation of relations under Association Agreement.

Free Movement of Labour

- EC has agreed a common position which takes account of changes in economic and social circumstances, particularly high unemployment, since Association Agreement signed in 1963. This was communicated to Turkish Government in December 1986.

EC/ISRAEL

COOPERATION

Association Council

- Took place on 24 May. Useful review of trade and other issues with Israelis (political issues over lunch).

Trade Access

- Understand major group of Palestinian producers have reached Agreement with Israelis over implementation of measures to allow access to EC markets. Will be watching closely to see how arrangements work out in practice.

Protocols to EC/Israel Agreement

- Protocols did not receive EP assent at plenary on 9 March. At 6 July Plenary, EP voted to defer decision until October.
- Vote entirely a matter for EP: did not seek to influence vote either way.
- EP assent remains essential for conclusion of Protocols. No intention to renegotiate substance of Protocols. Must await eventual passage in EP.

Aid to OTs

- EC aid available in OTs amounts to 3 million ecu in 1987/88.

EC/MALTA

- Welcome Maltese desire for closer links with Community. Look forward to developing relations within Association Agreement.

EC/MOROCCO

- Welcome signature of new trade and financial protocols. Look forward to developing relations within Cooperation Agreement framework.

EC/Morocco Fisheries Agreement?

- Welcome signature of agreement. Sensible balance of advantage between Morocco and Community.

Agreement discriminates against Western Sahara

- Government believes Western Sahara issue is for parties in the region to resolve. Terms of Agreement in no way prejudice our position of neutrality.

EC/GULF COOPERATION COUNCIL (GCC)

- Glad to say that first stage cooperation agreement was signed on 15 June. Demonstration of importance we attach to the Gulf and to friendly relations between EC and the Gulf Cooperation Council.

- Next step is for EC to look at possibility of wider-reaching trade agreement. *Exploratory talks between Commission & GCC began on 14/15 July.*

What about effect on UK petrochemical industry?

- First stage agreement makes it clear that any further trade agreement must not put the EC petrochemical industry at an unfair disadvantage compared with, eg US and Japanese competitors.

EC/NEW ZEALAND

Access to EC Market?

- Matter for Community as a whole. UK will continue to ensure New Zealand case is heard. But must recognise that tackling problem of Community's agricultural surpluses will focus attention of UK and other producers on New Zealand exports.
- Explained position to Mr Lange on 26 April.

Effect of New Zealand non-nuclear defence?

- No linkage between this and access in UK view. But will not make it easier to get New Zealand's case across.

EC/ARGENTINA

- October FAC approved agreement with Argentina in negotiations under Article XXIV of GATT.
- This fulfils EC commitment under GATT following enlargement of Community.
- But Commission has made clear that there will be no institutionalisation of EC/Argentine relations as long as Argentina continues to discriminate against UK interests.

EC/ETHIOPIA

EC food surpluses should be used to feed starving

- EC already committed 268,000 tonnes of cereals to Ethiopia, much from European stocks. Further £21m allocated to help with non food aid emergency assistance.

EC should suspend Lomé aid because of human rights abuses

- Priority must be to ensure that aid provided is of direct benefit to people in need and that it is not diverted for other purposes. Will keep situation under careful review.

EPC Supplementaries

GENERAL

EPC an undesirable restraint on national policy?

- No. We remain free to take our own decisions. But it is very much in our interests to speak and act with partners where possible because joint action carries correspondingly greater weight.

New Treaty Provisions legally binding: too constraining?

- No. Continued successful development of EPC since Treaty Provisions adopted a year ago demonstrates that they provide adequate flexibility.

- Partners committed by Treaty Provisions to consult. Object of that is to reach a common position if at all possible. But all partners recognise this is not always attainable.

- Right of individual Member States to take decisions to protect their interests is wholly preserved.

Frequency of meetings

- Single European Act provides for EPC Ministerial meetings four times a year. But of course see colleagues frequently on EC business - often provides an opportunity for EPC discussion of current issues.

SOUTH AFRICA

- Regular exchange of views among Twelve on developments in South Africa. Twelve's objective: total dismantlement of apartheid and replacement by genuinely representative, non-racial system of Government.

- Twelve have on many occasions made views known to South African Government. Twelve committed to work actively to promote process of peaceful change.

UK isolated? Friend of South Africa? Failing to implement EC restrictive measures?

- No. Committed to total abolition of apartheid. Detestable system. UK fully involved in formulation of common policy by Twelve. All share same objective. All EC measures being implemented in full.

Further measures?

- No consensus among partners for further measures against South Africa.

Positive Measures

- Full implications of proposed "Promotion of Orderly Internal Politics" Bill not yet clear. But have made strong representations to SAG both bilaterally and with Twelve. Will continue to take every opportunity to register our concern that aid programmes for black South Africans should continue unimpeded.

Sharpeville Six

- Legal process not yet exhausted. Hanover European Council urged that all legal options be considered. Appeals for clemency stand. Twelve will consider response to execution at the time.

MIDDLE EAST

Iran/Iraq

- Twelve have expressed full support for SCR 598 and support for Secretary-General's efforts to implement it. UK continues to favour follow-up Resolution if necessary to ensure compliance.

- Twelve have condemned use of chemical weapons. Fully support efforts to investigate and halt such actions.

- Pleased that several partners have sent naval vessels to Gulf to help uphold freedom of navigation. Integration of UK/Belgian/Dutch minesweeping forces from 1 July a welcome example of practical European cooperation.

Arab/Israel

- Unrest in Occupied Territories underlines urgent need for progress towards political settlement of Arab/Israel dispute. Status quo unsustainable.

- Twelve want comprehensive, just and lasting peace. Reiterated at Hanover European Council determination to work towards an International Conference under UN auspices as suitable framework for negotiations between parties concerned. Support all initiatives to this end.

Occupied Territories

- Twelve have made frequent demarches to the Israeli authorities calling on them to protect the inhabitants of the Occupied Territories in accordance with international law and human rights standards.

Lebanon

- Hanover European Council confirmed importance Twelve attach to orderly conduct of forthcoming Presidential election. Also made strong appeal for immediate release of all hostages and recalled support for UNIFIL.

Contacts with Syria?

- Twelve have lifted ban on high-level contacts with Syria in response to restrictions on Abu Nidhal in Syria. Latter sign that Twelve's firm policy paying off.

- But Twelve are maintaining other measures against Syria. UK would require proof of sustained change in Syrian attitude to terrorism before agreeing to lift these. (NB: Three measures are: ban on arms sales, special controls on Syrian diplomatic missions and close scrutiny of the operations of Syrianair.)

EC aid to Syria?

- Have made clear to EC partners that we could not agree to further financial aid to Syria in present circumstances.

Eksund affair

- Have raised Libyan role in Eksund affair with our partners. We agreed that our cooperation against Libyan support for terrorism must remain fully effective.

- Last year Twelve adopted a range of measures against Libya. These remain in force. Eksund affair has shown wisdom of this action.

AFGHANISTAN

- Hanover European Council expressed expectation that Soviet Union should complete troop withdrawal in accordance with Geneva agreements and called upon all concerned to implement the peace process set out by Geneva agreements.

- Twelve also expressed support for efforts to establish a representative government, formed by a genuine process of self-determination, in which the resistance have a full part to play.

- European Council declared readiness of Community and member states to provide humanitarian assistance to Afghanistan, through UN Coordinator's programme, ICRC, and NGOs, for refugee repatriation and resettlement. Also ready to provide reconstruction aid, once current regime replaced: no guarantee against misuse of such aid while current regime in place.

CENTRAL AMERICA

EC support for peace process?

- Twelve have consistently supported peace process in Central America, including in their conclusions at Hanover European Council.
- Twelve warmly welcomed Guatemala Peace Agreement in August 1987 and Sapoa truce in March 1988. Twelve have had thorough discussion of situation with Central Americans at San José IV meeting. Vital that all five countries comply without delay with Peace Agreement - especially Nicaragua.
- Twelve on 13 June expressed concern that momentum should be maintained and called for ceasefire agreements and rapid progress towards pluralist democracy.

EC aid to Central America?

- San José IV communiqué (29 February) makes clear EC's commitment to continuing economic support.
- EC major aid donor. Commitments have doubled since 1984. Progress towards peace will allow better use of resources already allocated to region.

FALKLANDS: LACK OF EC SUPPORT?

- Regret that some partners supported resolution. Have made clear to them that this is the wrong approach. Can only encourage Argentina to evade the real issues.
- (If necessary). Majority of Twelve abstained. And should remember that Twelve banned all Argentine imports in 1982.

EAST/WEST

- In better shape than for many years. Twelve have played important role, particularly in CSCE context. Hanover European Council's conclusion made clear our continuing commitment to progress in this field and underlined continuing Western solidarity.

CSCE

- Twelve insisting at Vienna on fullest possible implementation of Helsinki commitments, particularly on human rights.
- Have tabled important proposal in human rights field which we and partners want to see fully reflected in concluding document.
- At Hanover European Council Twelve called on other CSCE participants to join in an effort to achieve a substantial, balanced and early conclusion.

INTERVIEWER:

Can I lead you to 1992 and the worrying prospect among some that the British way of life might be interfered with, even perhaps swamped by pan Europeanism. How do you feel about that and how will we retain our character and our sovereignty?

PRIME MINISTER:

As you know, I feel very firmly in a Europe, the sovereign nations working more and more closely together in the interests of each and every one. And I don't necessarily see 1992 as you do. I see it as a great opportunity for us in Europe but don't forget of course it's an opportunity for other people here as well. So we have got to be competitive and that's a challenge but we have shown we can rise to that challenge.

In 1993 you will have a Channel Tunnel now that gives a lot of opportunity, for the first time in our history we shall have a land border with the people who speak a different language as their main language.

I see it as an opportunity and I am not frightened of it at all. As you know when Europeans start talking about European union and this that and the other, I always say well what do you mean by it because I really can't see, as I go to those European Councils, I can't see any of you likely to go home and say to their Parliaments, look, I've taken away all of your rights to do anything about what happens in this country and it's all going to Europe.

PRIME MINISTER (CONT):

They are not going to do it, however much they talk. They are just not and I wouldn't be prepared to do it in anyway. But I am prepared to have bigger opportunity for British goods and services to sell because you know there are sometimes some invisible barriers in Europe and you know what people will always say, and rightly so, we abide by the rules, we want to be jolly sure that they are too. We want to make it clear that they are abiding by the rules because this is an old way of saying that we tend to be a very honest country and we tend to be very honest in the way in which observe the rules.

So I am not at all frightened of 1992. Britain will still be a sovereign nation but the trading barriers will come down but as I constanly say, the barriers against terrorism, against crime, against movement of things like rabies and so on and there is no right for a person who comes in from outside Europe to move freely across Europe, as there is for European people to move freely among Europe. So we have got to keep those barriers up.

So don't be afraid of it. It's a fantastic opportunity for us because many many people who want the entrance into Europe and its freedom of circulation of goods and capital, we're used to freedom of capital movement, we've got it. They are miles behind us in Europe, except Germany, so we don't have anything to fear from it. They are much more frightened than we are.

They have still got exchange control, save Germany. They are much more frightened of it than we are, we are used to it. But because we have got free capital movement, because we have got no exchange control, and because we speak the language which is almost the linguafranca of the world, it's a fantastic opportunity to get more and more companies coming in here to start up their operations here, because they have confidence in Britain, because we speak the language, because they know that they can repatriate their earnings because they want to sell not only to Britain but they want to export from Britain to Europe.

That gives us a chance with exports we have not had before. So for us it's a fantastic plus. We needn't fear it. It's a much bigger plus for us in a way than it is for anyone else.

INTERVIEWER:

As long as we remain powerful and strong.

PRIME MINISTER:

Yes powerful and strong, confident, sound in our financial policies, absolutely vital, free, a system of justice and a system of integrity. That's another reason why I am so anxious, some people call it the environment, environment is more than the litter and getting rid of the sulphur dioxide, it's the way it's being good to live in, getting on top of crime, with a partnership in everyone. It's living up to the best in our character, to thine oneself be true.



3113

10 DOWNING STREET
LONDON SW1A 2AA

6 April 1988

Dear Mr Gurnett

You wrote to Bernard Ingham recently about the possibility of the Prime Minister appearing on the Jimmy Young Programme.

I am pleased to be able to tell you that she has agreed to this request. The earliest possible date, however, is Wednesday 27 July when she could be at the BBC at about 11 am.

With all engagements, however, I have to point out that this will be subject to Parliamentary and Government business on the day.

For security reasons could I please ask you to treat in the strictest confidence the information that the Prime Minister will be appearing on the programme on this particular date.

Perhaps we can talk nearer the date about the detailed arrangements.

Yours sincerely

TERRY PERKS
Deputy Press Secretary

*Some time talking
with TEC - BTI can
for 1992.
Bob Hambleton
see an
you*

*John Gurnett
Pr sec
Hackney St*

John Gurnett Esq
Senior Producer
Jimmy Young Programme



10 DOWNING STREET
LONDON SW1A 2AA

14 March 1988

Dear Mr Gurnett

Thank you for your letter of 10 March to Bernard Ingham inviting the Prime Minister to appear on the Jimmy Young Programme.

I confirm that your request will be considered at the next diary meeting and, when we are able to let you have a firm response, we shall get in touch with you again.

Yours sincerely

A handwritten signature in cursive script that reads "Beth Frier".

BETH FRIER
PRESS OFFICE

John Gurnett Esq
Senior Producer
Jimmy Young Programme

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April May 9*



BBC

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10th March 1988

Mr. B. Ingham,
10 Downing Street,
London SW1A 2AA

Dear Mr. Ingham,

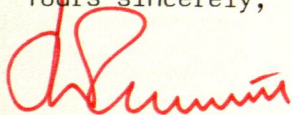
Another year has rolled by and I do think it's time for us to put in a request for the Prime Minister to appear on the Jimmy Young Programme.

Jimmy will be away on holiday from April 18th until May 9th, but anytime after that would be very convenient for us.

I do hope we can arrange a date when the Prime Minister is not planning other interviews, either on the BBC or independent television or radio.

I look forward to hearing from you.

Yours sincerely,



John Gurnett
Senior Producer, Jimmy Young Programme