

CONSERVATIVE RESEARCH DEPARTMENT

32 SMITH SQUARE · SW1

MEMORANDUM

The Director
Alistair Cooke

To.c.c. Peter Luff
Charles Hendry

5th May 1989

From David Cameron

Please find attached the DTI contribution to the manifesto briefing. Some of these have been done by Peter Luff and some by me and I have marked them accordingly. My contributions have been cleared with Peter Luff. There are a few that have been held up, but they should be completed either today or on Monday.

I have spoken to Nick Martin who is producing the briefing on the Energy topics. They should reach me today.

Briefing to come

EC Structural Funds (Charles Hendry)
Conservatives lead in the Single Market (FCO)
EC Help for Small and Medium Sized Enterprises (Iain Wilton)
European Investment Bank (Ian Stewart)
Technological Gap with Japan (DC)
European Defence (FCO)

Duse.

Chapter 1

CONSERVATIVE EUROPEAN MANIFESTO 89

BENEFITS OF THE SINGLE MARKET

'We believe that creating a single community market will be good for Britain, good for Europe and good for the world. It will provide more opportunities for industry. More profits for the competitive. More investment and more jobs. More growth to improve services and cut taxes' (p.11)

Background

1. The Common Market envisaged by the Treaty of Rome - and all the benefits it would bring - is far from reality. The free movement of goods is impeded by 'technical' barriers (such as national product standards) and even 'physical' barriers, created by the complexity of border controls.
2. It is difficult to be precise about what benefits will result from the completion of the Single Market. However, the Commission's Cecchini Report estimates the total potential economic gain to the Community to be in the order of 200 billion ECUs (or £120 billion) at 1988 prices. This would add about 5 per cent to the Community's combined gross national product and create some 1.8 million jobs.
3. Companies will be faced by a wide range of new opportunities to sell their products abroad as previously protected markets are prised open. Britain will also benefit from the increased trade in services - especially financial services - which the Single Market will bring about.
4. British business is in excellent shape to face up to the challenge. Our economy has grown consistently for eight years and business investment is at an all time high. Profitability is at its highest level for twenty years - providing companies with the funds they need to gear up for 1992. Productivity in our manufacturing companies has risen faster than in any other major industrialised country.

Chapter 1

CONSERVATIVE EUROPEAN MANIFESTO 89

SINGLE MARKET AND CONSUMER CHOICE

'... a single community market ... will provide ... better quality, better value for money and more choice for consumers' (p.11)

Background

1. A key objective of the Single Market programme is to increase competition which will benefit consumers by increasing choice and forcing down prices. The European Commission has estimated that prices could be as much as six per cent lower than they otherwise would be.
2. Goods originating from all Member States of the Community should become available in every other Member State, in direct competition with the national product. And an increasing proportion of services will become tradeable thus expanding consumer choice still further.
3. Liberalisation of financial services will give customers more freedom to choose where they invest and who advises them (see p.000). The mutual recognition of qualifications will give professionals freedom to work where they like in the Community (see p.000). Simplifying border controls will make holidays abroad more convenient, and more competition between airlines will make such holidays cheaper and more attractive (see p.000). In short, consumers will have more choice in where they live, work, travel, spend and save.

Chapter III

CONSERVATIVE EUROPEAN MANIFESTO 89

NON-LIFE INSURANCE AND THE SINGLE MARKET

'People will soon be free to buy non-life insurance across national boundaries' (p.25).

Commitment

Although insurance companies are free to establish themselves in other Member States across the EC, progress has been slower in allowing them freedom to provide insurance on a cross frontier basis, as a tradeable service. Member States must now implement the Non-Life Insurance Services Directive allowing EC insurers, for the first time, to cover the risks of potential policy holders in any Member State. The Directive must be fully implemented by the majority of Member States by 31st December 1992. Transitional arrangements allow a longer timescale for Greece, Ireland, Spain and Portugal.

Background

1. Most Member States - except the UK - have in the past imposed substantial restrictions on freedom to provide services in direct insurance. These restrictions have prevented insurers in one Member State from underwriting risks in other Member States, except through a locally established branch or agency. Consumers, especially commercial policy holders, in Member States which maintain restrictions have been prevented from shopping around for the insurance cover that most suits their needs at the most competitive rates.
2. When the directive is fully implemented UK buyers of insurance will have more choices and opportunities on offer. UK companies needing to insure risks in several Member States should find it easier to find competitively priced cover to meet their needs and should be able to cover such risks within a single policy. The UK insurance industry must be alert to the business opportunities that will be created abroad when other countries implement the directive.
3. The Non-Life Insurance Services directive lays down rules under which business may be carried out on a services basis. It provides a more liberal regime for large commercial and industrial risks, including all marine, aviation and transport business. The way is now open for the Commission to press ahead - proposals for directives on motor insurance and life assurance have already been produced. These proposals are scheduled for adoption by 31st December 1992 or earlier.

Chapter III

CONSERVATIVE EUROPEAN MANIFESTO 89

LIBERALISATION OF FINANCIAL SERVICES

'... we intend to secure: the complete liberalisation of banking, life insurance, mortgages and other financial services in the Community' (p.26).

Commitment

Foreign Firms can only compete on equal terms with domestic firms in a Member State if they establish local offices and comply with national rules and regulations. A true Single Market requires more than a basic 'right of establishment'. Firms should have the right to trade financial services throughout the Community with just one authorisation 'passport' from their home Member State. National regulatory standards must be harmonised to establish a common basic regulatory framework.

Background

1. The objective, as with manufactured goods, is to create a Single Market in Europe for financial services and capital - with the same conditions for competition, allowing the consumer wider choice - whilst still providing adequate levels of investor protection.
2. The UK has a great deal to gain from the liberalisation of these markets. The Cecchini report estimates that consumers in the UK will benefit by some £3.5 billion compared with an EC average of about £1.9 billion.
3. The First Banking Co-ordination Directive (1977) created a basic right of establishment for credit institutions and laid down legal requirements. There are proposals for further directives which build on this:
 - the Second Banking Co-ordination Directive which would allow credit institutions authorised in one Member State to set up or provide cross border services in any other Member State without requiring further authorisation. This proposal requires the harmonisation of minimum capital adequacy standards which would be covered in two further directives (the Own funds and Solvency Ratios Directives)
 - the Mortgage Credit Directive proposes that credit institutions offering mortgages in one Member State should be allowed to do so by the authorities in all other Member States.
 - the Investment Securities Directive would allow Investment Institutions to use their home authorisation 'passport' to set up or provide cross border services in other Member States.
4. An Insider Dealing Directive is under consideration. This would require Member States to make insider dealing unlawful, and to co-operate in exchanging information about it. The UK is well ahead in this area - insider dealing was made illegal back in 1980, and the Companies Bill, currently before Parliament enables DTI investigators to assist overseas regulators in fraud investigations.

Chapter III

CONSERVATIVE EUROPEAN MANIFESTO 89

PHYSICAL BARRIERS TO TRADE

'We intend to secure ... the elimination of the remaining delays and bureaucracy at frontiers - they still inhibit trade' (p.26).

Commitment

Many steps have been taken already to make trade easier across EC frontiers. Customs duties have been eliminated and a Single Administrative Document (SAD) introduced to simplify documentation. An EC customs code is currently under discussion to harmonise EC customs law and promote procedural harmonisation. The Government support the further elimination of wasteful red tape at frontiers. However, certain aspects of harmonisation - such as indirect tax approximation have not been welcomed by the Government (see p.000).

Background

1. Controls on the physical movement of goods across frontiers can be one of the most visible obstacles to trade within the Community. The present customs arrangements can be a major inconvenience for lorry drivers taking a cargo across Europe, involving lengthy form-filling and much cost. Many of the steps that have been taken or still require action are technical and detailed but over time their cumulative effect will be substantial.
2. The Single Administrative Document (SAD) introduced last year, replaced a total of around 100 trade forms in use between Member States. All Member States are now using the same documentation and a common integrated tariff.
3. The Home Secretary announced on 7th April 1987 simpler and more rapid procedures for exit controls, whereby only selective checks would be made on the identity papers of Britons and other Community nationals.
4. Effective safeguards continue to be needed at frontiers to combat terrorism, drug abuse, organised crime and the spread of dangerous disease. Member States are working together in these areas with the aim that restrictions on the legitimate movement of goods and on EC nationals should be reduced to a minimum.

Chapter III

CONSERVATIVE EUROPEAN MANIFESTO 89

PUBLIC PURCHASING

'we intend to secure ... the total opening up of public purchasing to free competition within the Community ...' (p.26).

Commitment

Completing the Single Market will mean that purchases by governments and public bodies should reflect fair competition, not national identity. The UK will continue to press for

- amendments to existing EC directives to make application of the rules more open.
- the application of rules to the excluded sectors - water, energy, transport and telecommunications.

Background

1. Purchasing by governments and other public bodies accounts for as much as 15 per cent of the Community's Gross Domestic Product. As Britain is further advanced in opening up public purchasing to competitive tender, the UK can expect considerable benefits from the directives now coming into force.
2. Existing EC Directives - covering public works and supply contracts - are intended to open up the EC market, but nevertheless the picture remains less than fair. There is a continuing tendency to buy national - some public authorities refuse even to consider foreign bids. In general, there are problems with poor information about contracts, discriminatory specifications and complex tendering procedures.
3. Amendments to the Supplies Directive came into force on 1st January 1989:
 - limiting the use of single tendering
 - lengthening time limits for bids
 - requiring purchasers to specify European standards where they exist
 - requiring purchaser to publish procurement programmes in advance.

Proposals to amend the Works Directive include similar provisions:

- advance notice of construction contracts
- requiring purchasers to explain why they have rejected bids.

Chapter III

CONSERVATIVE EUROPEAN MANIFESTO 89

TELECOMMUNICATIONS

'We intend to secure ... continued deregulation of the telecommunications market' (p. 26).

Commitment

The Government will press for adoption of the liberalising and market-opening policies for telecommunications. These were drawn up in a Commission Green Paper of June 1987 and endorsed by the first meeting of the Telecommunications Council in June 1988. The programme envisages a full liberalisation of the market for terminal equipment; accelerated work on common standards; a complete separation of the regulatory and operational functions of national telecommunications companies and a free market in non-voice value-added services (such as Fax, Data transmission and Information Services).

Background

1. In most EC Member States telecommunications remain dominated by state-owned, monopoly postal and telecommunications authorities (PTTs). The UK was the first to break the mould, and now has the most liberalised telecom regime in Europe. The more monopolistic telecom markets have tended to be the least capable of absorbing new technology.
2. Although the Commission's timetable has slipped there is every prospect that by 1992 there will be a fully open market for equipment and many telecom services, especially value-added services. For the time being, voice telephony will be the preserve of the network operators - but the Commission aims to free the market for value-added services in the EC as a whole, as it has already been freed in the UK. This will provide UK service providers access to all other Member States' markets.

Chapter III

CONSERVATIVE EUROPEAN MANIFESTO 89

INTELLECTUAL PROPERTY

'We intend to secure ... the creation of a common system for the regulation and protection of patents and trademarks and other intellectual property' (p.26).

Commitment

Differences in national laws on intellectual property create obstacles to competition in the Single Market. These are being tackled through Community initiatives on patents, trade marks and copyright. EC Member States have been drawing up a Community Patent Convention under which Community patents would be granted and Community Patent Courts would be set up in each Member State. The Government will press for the Convention to be brought into force. The Government also agree with the Commission's proposal for a Community trade mark and will support further research into harmonising EC copyright law.

Background

1. The EC treaty permits restrictions of trade where they are justified for the protection of intellectual property. For example, the proprietor of a UK patent can use the rights which it gives him to prevent goods produced elsewhere in the EC from being sold in this country.
2. Each Member State has its own patent system. One option for an inventor who wishes to obtain patent protection across the whole Community is to apply for a patent in each Country individually. This is a formidable and time-consuming exercise. Another option is provided by the European Patent Convention, but this does not cover all Member States because it is not a Community Convention. Thus the Community Patent Convention will provide a third option. Virtually all of its provisions have been agreed, but because of political difficulties in certain Member States there is as yet no agreement on when and how the Convention is to be brought into force.
3. There are ten separate systems for registering trade marks, creating many of the same problems. The Commission have therefore proposed that there should be a Community trade mark. However, national trade marks will continue for firms only interested in marketing products in a single Member State. Also, it will not always be possible to obtain a valid Community mark as two businesses in different parts of the community may be quite legitimately using the same mark.

Chapter 3

European Manifesto 1989

PREPARING BRITISH INDUSTRY FOR 1992

"We are determined that British industry should be the best prepared in Europe for the Single Market" (p.27).

Commitment

In April 1988 the Secretary of State for trade and Industry set a target of 90% awareness among the business community of the target date for the completion of the single market. This was achieved by October 1988. The central message of the campaign is now to encourage all firms, whatever their size, sector or location, to take action to prepare for the single market challenge.

Background

1. Over 90% of British business is now aware of the single market and around 50% of British business is taking action or considering steps to prepare for the single market.
2. The DTI campaign has included the following key elements:
 - *Action Checklist (to help firms prepare)
this has now been sent to 111,000 companies
 - *Standards Literature (including standards action plan)
five booklets have been prepared and another nine are in preparation on various aspects of standards making
 - *Spearhead database of single market measures
an on-line database, summarising current and expected single market measures
 - *Briefing pack on decision-making in Brussels
a booklet and video
 - *1992 hotline (01 200 1992)
over 126,000 calls on various aspects of the single market
 - *Single Market News
quarterly newsletter sent to DTI's mailing list of 155,000 names
 - *Introductory videos for businessmen
3. In addition to the campaign materials, there has been extensive television and press advertising (costing 8.75m of the campaign total of 12.5m), and a series of regional meetings around the country involving ministers from DTI, FCO and MAFF. DTI ministers and officials have spoken at over 1,000 1992 events.

Chapter III

CONSERVATIVE EUROPEAN MANIFESTO 89

DEREGULATION AND RED TAPE

'Accordingly we oppose any legislation which might unnecessarily inhibit the free flow of labour or investment in the Community by establishing extra burdens on business' (p.29).

Commitment

The Government is as committed to building a business environment which allows wealth and job creation in the EC as it is in the UK. The Government supports the Commission's Small and Medium Enterprise Task Force in its objective of improving the business environment in Europe and welcomes the EC's 'Fiche d'Impact' system under which proposals are examined for their impact on business.

1. The completion of the Single Market will involve a substantial volume of new Community legislation. It is essential that this should not add unnecessarily to the burden of regulation on business. Substantial deregulation in the UK is wasted if business is then wrapped in Euro red tape.
2. The Government's deregulation programme in the UK has been successful in reducing the burdens on business and cutting wasteful red tape. There have been four Government initiatives on deregulation, three of which have taken the form of a White Paper (Lifting the Burden, Cm 9571, July 1985. Building Businesses - Not Barriers, Cm 9794, May 1986. Encouraging Enterprise, DOE, May 1987, and Releasing Enterprise, Cm 521, November 1988). Over 120 deregulatory measures, involving sixteen Government departments have already been achieved.

Chapter 3

European Manifesto 1989

STEEL QUOTAS

'That is why we have secured the abolition of the quota system on steel products - to the benefit of the painful but essential reorganisation of Europe's steel industry'. (p.30)

Background

1. The European Coal and Steel Community quota system which existed from 1980-1988 sought to deal with the problem of overcapacity in the Community steel industry by restricting the production and delivery of steel within the Community.
2. Towards the end of this period British Steel was to some extent unfairly penalised under this system; an unfavourable reference date and strong growth in the UK economy meant that BSC was unable to supply fully its traditional customers without either purchasing quota from other producers or incurring fines.
3. With the removal of the last products from quota at the end of June 1988, the UK steel industry is no longer constrained from seeking to exploit its competitive position throughout the Community.
4. British Steel is now flourishing in the private sector, announcing a record profit of £410 million in July 1988. Productivity has increased by 132 per cent since 1978-9.

Chapter 3

European Manifesto 1989

EUROPEAN MERGER POLICY

"Mergers and acquisitions can lead to monopolies and cartels unless there is a strong competition policy. We believe that action in this field should protect the interests of consumers, whilst allowing our firms to compete on an international scale. In any European merger policy, full account must be taken of the market in which individual companies operate, whether British, European or global." (p.30).

Commitment

The UK is negotiating constructively on the proposed European Merger regulation, but is maintaining its general reserve until the negotiations reach a conclusion. At that time the government will consider whether or not the regulation is preferable to the existing situation under Articles 85 and 86 of the Treaty of Rome. The UK is particularly concerned that the thresholds for mergers considered at the European level should be higher and that the only criterion the Commission should apply is that of competition - not wider industrial considerations, such as the promotion of technical progress.

Background

1. The adoption of a European merger regulation will need a unanimous vote.
2. The current proposals for a merger to qualify for European consideration are (a) aggregate worldwide turnover of all the firms concerned more than 5,000m ECU, reduced at end 1992 to 2,000m ECU and (b) community-wide turnover of each of at least two of the firms concerned more than 2,000m ECU, unless (c) all the firms concerned achieve more than 66% of their Community-wide turnover in one member state. The UK is working for a threshold of 10,000m ECU in (a), 500m ECU in (b) and 50% in (c). These UK thresholds would probably reduce the number of mergers looked at by the Commission from about 80 (after 1992) to around 40, of which some 10/15 would be UK mergers.
3. Articles 85 and 86 of the Treaty, which the Commission currently uses as its legal basis for examining mergers such as the proposed GEC/Siemens bid for Plessey, will have to be "disengaged" so that the only Community competence would be the new regulation. The Commission's proposals for dealing with this issue recognise the problem but do not yet go far enough to meet it fully.

Chapter 3

European Manifesto 1989

BARRIERS TO TAKEOVER

"...we attach great importance to the removal of the barriers to take-overs which exist in a number of other states." (p.30)

Commitment

We believe that Europe's worldwide competitiveness will be at risk unless we can continue to increase the openness of our capital markets. Real benefits to British business, and indeed in all other member states, could be unlocked by tackling these obstacles.

Background

1. Barriers in other member states include:

- "poison pill" defences to stop predators
- differential voting rights on shares
- use of proxy votes to block proposals without consultation
- complex cross-holdings of shares

2. Such barriers entrench sluggish management and spoil the dynamics of capital markets. This view is shared by the Commission and other member states, who have supported the UK's initiatives in the Internal Market Council on the need to take action.

3. In December 1988 the Council agreed that the Commission should make a study of the problems and make proposals in 1989. It is understood that the Commission has now appointed consultants to assist in this task. The Government has also appointed advisers, Coopers and Lybrand, to ensure the effectiveness of the UK contribution.

4. British companies are probably the most active acquirers of foreign companies in the world. In 1988 the value and number of cross-border acquisitions and mergers by UK companies far exceeded the corresponding figures for transactions by overseas companies in the UK. Although many of these acquisitions were in the United States, even in the European Community, where it is alleged that British companies are at a disadvantage, Britain saw a substantial net balance in its favour. In 1988 British companies made 186 acquisitions in the EC worth £1649m while other EC companies made 27 acquisitions in the UK worth £1283m.

MANBARER, BRF
(revised)

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Chapter 3

European Manifesto 1989

AIRBUS

'We have also played our full part in collaborative aerospace ventures like the Airbus. We will continue to support such programmes wherever they are sensible, and offer value for taxpayers' money'. (p.31)

Background

1. Airbus. British Aerospace is the British member of the four national consortium, Airbus Industrie. The others are Aerospatiale of France, MBB of Germany (through Deutsche Airbus) and CASA of Spain. A wide range of aircraft have been developed successfully to compete in a market previously dominated by the Americans. This success has been achieved at a considerable cost, however, and the project has not been managed in a commercially satisfactory manner. While the British government has provided launch aid (repayable with a real rate of return) to British Aerospace (£249.3 million for the A320) and agreed more for the A330/340 (£450 million), the American government has expressed concern over the subsidies paid by the German government to MBB
2. The UK has been instrumental in the implementation of a significant package of organisational changes to Airbus Industrie, designed to make the company more efficient through the simplification and streamlining of the relationships between the consortium and the four member partners.

Chapter 3

European Manifesto 1989

EUROPEAN SPACE AGENCY

'We have played our full part in collaborative aerospace ventures like ... the European Space Agency'. (p.31)

Background

1. European Space Agency (ESA). The major part of the UK's space effort (about 60 per cent) is conducted through ESA. Other members are Austria, Belgium, Denmark, France, Federal Republic of Germany, Holland, Italy, Republic of Ireland, Norway, Spain, Switzerland and Sweden. Canada and Finland are associate members.
2. While Britain is contributing substantially to a number of programmes (Earth observation, through ERS-1, with a 15 per cent contribution of £70 million; the Columbus Polar Platform, £150 million; telecommunications through the Olympus satellite, with a 40 per cent contribution of £180 million), there is room for concern about the politicisation, over-ambition and operation of the Agency. Britain has particularly differed with ESA over the issue of a man-in-space project which the government felt offered little commercial opportunity and was simply an attempt to repeat what other nations had achieved.
3. ESA has, however, been successful in meeting its objectives, and for this reason, the government does not believe that it would be right to encourage the involvement of the European Community directly in the affairs of ESA, except in a few very clearly defined areas such as the deregulation of telecommunications.

PRODUCT STANDARDS

'... we support the adoption of common, or mutually recognised, product standards for the whole Community whenever they are necessary to allow goods and services to be traded freely across national frontiers. Too many nationally imposed product standards are protectionist in effect, and even in intent' (p.36).

Commitment

National standards can be a serious barrier to trade - especially when Member States do not recognise each other's arrangements for testing and certifying products to ensure that they meet national or European standards. The Government supports EC arrangements to avoid new barriers in the run up to 1992 and is pressing for further action under the Community's 'New Approach to Technical Harmonisation'.

Background

1. Most Member States have their own standards and laws which set quality and safety requirements for goods sold in their home market. Standards are drawn up by national standards bodies, such as the BSI in the UK, AFNOR (France) and DIN (Federal Republic of Germany).
2. National technical barriers will be progressively eliminated as the Single Market is completed. By then any product which can be sold in any Member State will be freely marketable in all other parts of the EC, unimpeded by different national standards and testing and certification practices.
3. Avoiding new barriers. Since 1983 arrangements have been in force to prevent the creation of new technical barriers. Member States are required to notify the Commission in advance of proposals for new technical regulations. This gives the Commission and other Member States the chance to intervene if they judge that the regulation would be a barrier to trade.
4. Harmonised European Standards are being introduced through the Community's 'New Approach to Technical Harmonisation', agreed in 1985. In the past, agreements on Community standards have been held up because of the need to agree a mass of technical details. Under the new approach, the Council of Ministers agrees the essential requirements - for example, relating to health and safety - and the specialist standards bodies (CEN and CENLEC) draw up the details.
5. UK industry has the opportunity to influence the production of new European standards from an early stage as the British Standards Institute (BSI) represents the UK on European standards bodies.

Chapter 4

European Manifesto 1989

CONSUMER PROTECTION

"Conservatives have worked and will work for consumers, so that they:

- enjoy improved rights of consultation in Community decision-making on consumer protection
- are better informed about the safety and quality of products on the market
- can exercise rights of redress through the courts in respect of defective or dangerous products." (p.35).

Commitment

The best guarantee of consumer rights is a competitive market. However, legislative protection is also needed in many areas, particularly product safety. Where Community rules have a part to play, the UK will contribute constructively to discussion on any specific proposals. Community competence will not be extended, though, unless there are overwhelming reasons for doing so.

Background

1. Methods of consultation with consumer groups in the Community are generally acknowledged not to be working well. New proposals are expected from the Commission by the end of 1989 and the UK will participate constructively in the discussions that follow.

2. Free markets need informed consumers. Piecemeal progress is being made by the Commission in its programme of establishing minimum levels of protection across the Community. Directives involved include the Misleading Advertising Directive, the Product Liability Directive, the Doorstep Selling Directive, the Consumer Credit Directive, the Toy Safety Directive, the Price Indication Directive and the Recommendation on Payment Systems (which concerns the rights and liabilities of payment card issuers and holders). The UK will support such initiatives where it is clear that there are real benefits to be had. The Commission has indicated that it does not consider that the UK has implemented the Product Liability Directive satisfactorily; the government will respond in due course, but it believes that the directive is fully implemented.

3. In all consumer legislation there is a danger of undue extension of Community competence. This is particularly true of rights of redress through the courts. The Law of Contract and the Consumer Protection Act of 1987 provide ample access to law for the UK consumer, but the government is prepared to give consideration to any new proposals that come forward.

Chapter 6

European Manifesto 1989

VOLUNTARY RESTRAINT ARRANGEMENTS

"We will press for the further reduction of VRAs, with complete removal as a long-term aim." (p.57).

Commitment

The government will resist all attempts to turn the Community into a so-called "Fortress Europe". The Government has made it clear to industry bodies in the UK, where VRAs existed, that it saw no case for their continuation. The exception is the vehicle industry, which has to be considered in the context of Commission proposals for a common policy on Japanese vehicle imports.

Understandings between industries do not necessarily take account of wider economic interests, including those of consumers. Very compelling arguments would be needed to justify any new inter-industry VRAs.

Background

1. VRAs are grey areas, outside GATT rules. The current GATT round is just beginning to discuss improvements to the effectiveness of the multilateral system so that all trade measures are taken within GATT rules and are subject to international discipline.

2. As part of the Community's external steel regime the Commission have negotiated restraint arrangements on an annual basis with major suppliers. The EC has also negotiated VRAs on certain textile products from Mediterranean countries and on footwear from certain Eastern European suppliers; they are subject to regular review.

3. Policy on EC steel imports for 1990 will be discussed by member states later this year.

Chapter 6

European Manifesto 1989

ACCESS TO EC MARKETS FOR THIRD WORLD PRODUCTS

"We will press for the removal of all tariffs on imports from less-developed countries." (p.57).

Commitment

The EC already offers a wide range of unilateral duty concessions on imports from developing countries and is working in the current GATT round for further improvements. Free Trade is one of the best methods of ensuring that the development of any economy is not inhibited and for this reason the UK will continue to work for the freest possible trade, not just for imports from the developing world, but for all the Community's trade with the rest of the world.

Background

1. The UK is party to several EC schemes which offset tariff concessions to imports from developing countries (LDCs). These are generally on a unilateral basis (ie the exporters do not have to reciprocate). They are:

- the Generalised Scheme of Preferences (GSP); in general no duty is charged on industrial products from 129 LDCs and a further 29 dependent territories; reduced rates are charged on certain textiles and processed agricultural products.

Imports worth some 15.1 billion ECU benefitted from GSP in 1987

- the Lome Convention; a comprehensive trade, aid and economic co-operation scheme with 66 ex-colonies in Africa, the Caribbean and the Pacific (ACP)

- Preferential Trade Agreements with 13 Mediterranean countries, negotiated bilaterally with each country.

2. The EC is participating in the current GATT round to seek a number of commitments of benefit to LDCs, including the negotiation of a reduction of one-third in tariffs, negotiation on the "modalities" of reintegrating textiles into the GATT system, the reduction of tariffs on a wide range of tropical products and a market-based approach to trade in agricultural products.

MANDEV. BRF
(review)

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Chapter 6

European Manifesto

FREE TRADE WITH THE REST OF THE WORLD

"We will press for more open access to third-country markets for Community exports.....

We believe it is imperative to make a success of the current GATT round as the lynchpin of a more liberal world trading system." (p.56)

Commitment

Just as the UK is determined that the Community should not become a "Fortress Europe", we are concerned about protectionism in the markets for UK and Community products. The UK is highly dependent on international trade and keeping world markets open and is therefore strongly supportive of the multilateral GATT system

Background

1. Protectionism has been on the advance in the 1980s, so the current Uruguay round of GATT must succeed in strengthening the existing GATT structures and extend them to new areas - agriculture, intellectual property and financial services. The round is now back on target for completion in April 1990.

2. Agricultural reform is crucial. It is now agreed that all developed countries will not increase support beyond current levels, will reduce support in 1990 and will negotiate long term reductions from 1991. Much detail remains to be worked out.

3. Both the UK and the EC believe that the dismantling of the Multi-Fibre agreement should be accompanied by a strengthening of the GATT safeguard mechanism (which allows emergency restrictions on sudden surges of imports), improved intellectual property protection and action against counterfeiting in developing countries and greater access to the domestic markets of developing countries for all British and Community goods (not just textiles).

4. Liberalisation of trade in services is a major UK objective of the current GATT round, given our highly competitive position.

5. All participants in the Round are now committed to achieve cuts of at least one-third in their overall tariffs.

MAN GATT. BRF

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Special
Advisers

10 DOWNING STREET
LONDON SW1A 2AA

17th May, 1989

Dear Peter,

Many thanks for your letter of 10th May.

You are quite right that Special Advisers were intended to see my letter to their respective Ministers and I am grateful for your response. Having previously sat behind your desk, I am all too aware of the pressures and agree that it is helpful to have as much warning as possible of future demands. I think that Robin understands this and certainly he should be mollified by the amount which you have managed to do, which is most impressive. In fact, you were by no means the worst offender.

Besides the specific problem of the European election, I am also worried that some advisers who have little past experience of politics have been too easily swallowed up by the Government machine and forget the political aspects of their jobs. For instance I see far fewer political releases than used to be the case and I think there is legitimate newspaper criticism that we have let the Labour Party off too easily. I hope that once the European elections are out of the way that we will have an opportunity to discuss this and how Central Office and Special Advisers can best work together.

Yours,
John
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JOHN WHITTINGDALE

Peter Luff Esq

PERSONAL

From the Special Adviser

John Whittingdale Esq
10 Downing St**Department of
Trade and Industry**1-19 Victoria Street
London SW1H 0ETSwitchboard
01-215 7877Telex 8811074/5 DTHQ G
Fax 01-222 2629Direct line
Our ref
Your ref
Date

215-5379

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Dear John,

I have seen your letter to David (I'm sure I was supposed to!) and just wanted to say one thing.

The reason I reacted badly to Robin's letter was certainly not because of any lack of commitment but because it asked for (at a rough guess) three full days of work at few days' notice.

I am anxious to help the campaign, but it sometimes is impossible to get a quart into a pint pot, even if I manage it quite often. If Robin had warned us in advance to expect his request on a specific date, and indicated the magnitude of the task, I could have

