

dti

the department for Enterprise

ccj/c

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

J M G Taylor Esq
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

**Department of
Trade and Industry**

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5623
Our ref PE3AED
Your ref

Date 1 November 1989

CDP 2/Ki

Dear Junata

Thank you for sending a copy of your letter of 31 October to Charles Powell.

Whilst my Secretary of State strongly agrees that there are serious problems of accountability in the Delors proposals, he points out that the most likely consequence of an evolutionary approach would be that business would be increasingly transacted in deutschmarks, passing the monetary policy lead across the Community to the Bundesbank. This is not without similar difficulties. He does not suggest that the Chancellor's intention to stress the difficulties with Delors should be changed, rather that a defence should be available should the Opposition develop the Bundesbank point during the debate or elsewhere.

On the fourth indent of paragraph 17, my Secretary of State firmly supports the line on structural funds. But it can be argued that markets, including local labour markets, would have to work very perfectly for EMU via competing currencies not to risk some negative impact on less prosperous areas. He feels a better emphasis might be "It is the operation of the market, not Government intervention, on which the future of less prosperous areas depends". If the point needed to be developed, reference could be made to the entirely changed climate of business of late, for instance in the North East and Glasgow.

The Chancellor might say at paragraph 24 that it is "According to the Commission", that only seven single market measures have been implemented. We suspect that there may have been more.

with CDP?





the department for Enterprise

At the third indent of paragraph 17 we think it is worth including the reference to monetary unions tolerating diversity of budgetary positions in their component regions. However, surely any reference to deficits getting out of line would be an unnecessary hostage given the current account, a major plank of Opposition attack of late?

I am copying this letter to Charles Powell (Number Ten), Stephen Catling (Lord President's Office), Stephen Wall (FCO) and Nick Gibbons (Lord Privy Seal's Office).

Yours ever,

Neil Thornton

NEIL THORNTON
Principal Private Secretary

