



Foreign and Commonwealth Office

London SW1A 2AH

31 October 1986

010
Would prefer
to see them in
London

CCPC
①

Dear Charles

Prime Minister
Agreed to see
this Group while
you are in
Strasbourg?

EC Internal Market: Kangaroo Group

Sir David Hannay has been asked by Basil de Ferranti MEP whether it would be possible to organise a meeting in London between the Prime Minister and leaders of the Kangaroo group (list attached). The Kangaroo Group is a powerful lobby group working for the abolition of the remaining barriers to trade in the Community. Basil de Ferranti is its main organiser but it also enjoys strong support from the German and Dutch Governments and from conservative and centre-right MEPs, particularly British Conservatives.

CDP
31/10

As part of their campaign for the internal market the Kangaroo Group Vice-Presidents saw Chancellor Kohl in Bonn on 14 July and hope to see President Mitterrand, M. Chirac and Mr Lubbers early next year. The Group have been powerful supporters of our Presidency (see the enclosed copy of their newspaper) and of our longer term efforts to develop Community policies which are relevant to industry. The Foreign Secretary therefore recommends that the Prime Minister should see the Group and suggests that she does so when she is in Strasbourg on 9 December. As you will see from the attached outline programme (to which you agreed in your letter of 24 October) it would be possible for the Prime Minister to leave the debate on her report on the European Council in order to receive the Kangaroo Group members for about 20 minutes. There is no need for the Prime Minister to sit through the entire debate and Mrs Chalker could take her place in the Chamber during her absence.

I am copying this letter to David Williamson (Cabinet Office).

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

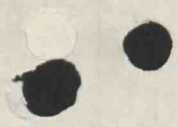
C D Powell Esq
PS/10 Downing Street

LEADERS OF THE KANGAROO GROUP

1. Basil de Ferranti Vice President
2. Elise Boot (Dutch Christian Democrat) Vice President
3. Christiane Scrivener (French Liberal) Vice President
4. Jeanette Oppenheim (Danish EDG) Vice President
5. Gijs de Vries (Dutch Liberal) Vice President
6. Karl von Wogau (German Christian Democrat) Vice President
7. Dieter Rogalla (German SPD) Vice President
8. Ben Patterson Rapporteur, Committee on Economic
and Monetary affairs and
Industrial Policy
9. Georgios Anastassopoulos (Greek Christian Democrat)
Chairman of the Transport Committee
of the European Parliament

VISIT BY THE PRIME MINISTER (ACCOMPANIED BY MRS CHALKER)
TO THE EUROPEAN PARLIAMENT : STRASBOURG, 9 DECEMBER

| (local times) | <u>Programme</u> |
|---------------|---|
| 0645 | Depart Heathrow Southside in VC10 (flying time 1 hour 30 minutes) |
| 0915 | Arrive Strasbourg-Entzheim Airport |
| 0945 | Arrive Palais de l'Europe |
| 1000 | Prime Minister reports to the EP on the London European Council (followed by debate) |
| 1200-1215 | Prime Minister may reply briefly to debate |
| 1230 | Prime Minister meets the Press |
| 1300 | Luncheon given by the Prime Minister for the President and Bureau of the EP and members of the Commission |
| 1445 | Prime Minister leaves Palais de l'Europe |
| 1515 | Prime Minister leaves Strasbourg-Entzheim (flying time 1 hour 35 minutes) |
| 1550 | Prime Minister arrives London Heathrow Southside |





TRADING FOR

The completion of the internal market has been made one of the major priorities of the British Presidency — keeping its eye firmly on the future health and wealth of Europe. The next time Britain takes over the Presidency of Europe is in 1992 — the date heads of government have written into the European Community

Treaty for final completion of the market.

THE RT. HON. PAUL CHANNON MP, SECRETARY OF STATE FOR TRADE AND INDUSTRY, outlines why the internal market must be made a priority today in order to meet that target for Europe tomorrow.

THE

FUTURE



Tackling outstanding barriers to trade is one of the major tasks for the Community during the next few years. It is also one to which we are giving special priority during the United Kingdom Presidency.

There has been a massive growth of trade within the Community over the last 30 years. In the United Kingdom we now sell as much in goods and services to the Community as to the rest of the world combined. But, despite the elimination of tariffs and quota restrictions, the Common Market envisaged in the EEC Treaty has not yet been achieved. The free movement of goods throughout the Community is still hindered by non-tariff barriers such as frontier formalities and differing national product standards; while the growth of a free market for services is blocked by a range of national restrictions.

Completion of the Internal Market should offer major benefits to European business. The size of the home markets in the United States and Japan has

brought them significant advantages, above all in the advanced technologies. The Community can now create an even larger home market of 320 million customers, a market more than one third as large again as that of the United States. Progress towards this goal will have a vital role to play in strengthening international competitiveness and thus in increasing wealth and creating jobs.

I am encouraged that completion of the internal market is now high on the Community agenda. Publication of the

Commission's White Paper last year "Completing the Internal Market" was a key development. Heads of Government then agreed that the objective of completing the internal market by 1992 should be written in to the EC Treaty. In the Single European Act they also agreed on important Treaty reforms which should speed up decision making — all too slow in this area in the past — by increased use of majority voting.

There is therefore a new determination to tackle the problems. Successive Presidencies have combined to prepare a

"rolling" programme of nearly 150 individual measures to be tackled during the next 12 months. I believe that this is an important innovation, and one that is essential to achieve a coherent and sustained attack on the problems.

Responsibility for progress on individual measures falls to a number of Councils — including Agriculture, ECOFIN, Transport, and the Internal Market Council itself. The prospects for each are reviewed separately in articles by my colleagues. During our Presidency our overriding objective will be to advance as far

as we can across the full range of areas covered by the rolling Presidency Action Programme — this way we hope to establish a vigorous momentum needed to carry the whole process through to completion. I particularly hope that we can achieve results in areas which will bring substantial benefits to European business.

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry

The British Presidency looking ahead

Six months is not long to make an impact but Britain is looking ahead to the future in the four priorities it has set for the British Presidency.

The Presidency is placing emphasis on the need for Europe to take continual positive steps in order to complete the internal market by 1992 and to give a boost to small businesses which Britain sees as the major hope for creating more jobs in the 1990's.

Britain took over the lead on July 1st from the Netherlands, Belgium will take over from Britain on January 1st.

Although Council Presidencies cannot switch Community programmes, they can select certain priorities.

The British priorities are:
PRESSURE FOR A SINGLE MARKET BY 1992: The policy adopted by

the Milan European Council in June 1985 included the adoption of a programme of mainly technical directives to clear the decks towards a barrier free Common Market. To date the programme has been slipping. Britain and Belgium — which will succeed to the Presidency by January — have planned the adoption of 146 measures over the next 12 months. Once the Single European Act is ratified, the use of majority voting rather than unanimous decision should hasten the speed of the programme.

EMPLOYMENT INTO THE 1990s: The British Government, backed by Italy and Ireland, aims to follow up its earlier initiatives to encourage employment. It sees the small firms as the major instrument creating jobs. Deregulation, the abolition of certain administrative and legal constraints

considered as a burden on small businesses, should be encouraged. Where possible the European Social Fund should help in starting small businesses and in training programmes.

THE COMMUNITY BUDGET: The negotiation of the 1987 Budget is a major task of the Presidency. The expected difficult struggle over the 1986 Budget was resolved in early July, but the British Government is keen to apply budgetary discipline in deciding the 1987 Budget.

RESEARCH AND DEVELOPMENT: Both Britain and West Germany have rebuked the European Commission for proposing too much money for research and development, and pressed the need for more

selective planning of fruitful projects. While backing a European Technology Community, the Council has taken a cautious approach to spending Community money in this area.

This is Britain's third Presidency since joining the European Community in 1983.

In practice, the Council has adopted a 'rolling presidency' policy which means that the work of the Community under each president is agreed by past, present and future presidents.

Britain worked closely with the Netherlands in the six months of their Presidency which led up to the British takeover and is now working closely with Belgium which will take over in January in order to ensure the smooth management of the Community.

The Inside Story - four ministers describes their aims

Making money work

Money is one of the hardest things to move.

THE HON. PETER BROOKE MP, MINISTER OF STATE, HM TREASURY, adds up the action needed to pull down Europe's financial barriers and sets out his hopes for progress during the British Presidency on tax, insurance and movement of capital.



During its meetings under the UK Presidency, the ECOFIN Council will be playing its full part in helping to complete the internal market. Nigel Lawson, in his capacity as incoming President of the Council, referred at the June meeting to a number of items we particularly wish to make progress on.

At the top of the list is the new directive on capital movements. Jacques Delors announced last June the Commission's proposals for a programme for the liberalisation of capital movements by 1992, and the European Council at The Hague broadly endorsed it. Part of the first phase is a directive providing for the unconditional liberalisation of operations in the fields of long-term commercial securities not dealt with on a stock exchange and the admission of securities in the capital market. We want to see this adopted by the end of our Presidency. The specialist committees who advise ECOFIN — the Monetary Committee and the Central Bank Governors — will also be looking at the Commission's longer-term proposals.

Another area where we need to make progress is non-life insurance services, where we have long been pressing for the adoption of a directive liberalising the regime. At the moment discussion of this has been halted while the European Court of Justice considers cases brought by the Commission against member states for infringement of a 1978 directive on freedom to write co-insurance. The Advocate General has already given his opinion broadly in the Commission's favour and final judgment is expected in the early autumn. We shall re-open discussion of the non-life directive as soon as possible after the judgment is available.

One of the most difficult areas in the internal market field is the abolition of fiscal barriers. In January, ECOFIN sought the advice of an ad hoc group of senior officials about the measures needed to remove fiscal barriers. The group concluded that the options could not be properly assessed until the Commission's proposals had been developed in more detail. ECOFIN discussed the Group's report in June and asked the Commission to provide further details,

which Lord Cockfield has promised by April 1987. In the meanwhile the UK Presidency will be pressing ahead with the work on some of the VAT and Excise structural measures which appear in the Commission's White Paper.

It is important not to forget that Council discussion of a measure is only worthwhile if there has been extensive preparatory work. One item that falls into this category is the new mortgage credit directive, where we hope that officials will be able to do a great deal of work during our Presidency, even though it is unlikely that the Council itself will be able to discuss it.

Peter Brooke

Special Reporter
Anne Morris

MARKETING THE FREEDOM TRAIL

Continuous pressure from all sides is vital if Europe is to reach the 1992 target set for the completion of the internal market. The nitpicking has to stop and there to see that it does is the Internal Market Council. **THE HON. ALAN CLARK MP, MINISTER FOR TRADE,** describes just how important the Council is in the battle to keep on target for the 1992 deadline.



The Internal Market Council has a central role to play in ensuring that progress is made on the Rolling Presidency Action programme on completion of the Internal Market. For one thing overall co-ordination is vital if we are to fulfil the task underlined at the Hague European Council of speeding up decision making in implementing the programme. So the Internal Market Council will take a regular overview of developments.

In addition the Internal Market Council is itself responsible for a substantial number of individual proposals in the programme. The removal of technical barriers to trade is a major continuing task. For example, differing national product standards fragment the internal market and add costs. Attempts to tackle these have been hampered in the past by too much emphasis on the harmonisation of highly detailed technical specifications. It is therefore welcome that the Commission have now submitted their first proposal under the new simplified approach to

standards agreed in May 1985. This is on simple pressure vessels and, following initial work under the Dutch Presidency, we hope to make maximum progress by the end of the year. We hope, too, that the Commission will bring forward further proposals soon, for example, on toy safety.

It is equally important to encourage the mutual recognition of national testing and certification systems. Experts are considering a possible system whereby products tested and certified in one member state do not have to be tested again before they are accepted for sale elsewhere in the Community. We hope that the Internal Market Council will approve conclusions by the end of the year.

A useful start has already been made in telecommunications with the adoption in July of a Directive that establishes procedures for the mutual recognition of telecommunications terminal equipment. We are also hoping to secure adoption of an important Commission proposal for a Directive on IT

standard document some 70 different Customs forms used in various parts of the Community and will be a significant help to the free movement of goods.

Successive European Councils have highlighted the importance of establishing full freedom of establishment for the professions. The July Council agreed on an important Directive on medical general practitioners. The Commission have also submitted a major proposal for a general Directive on the recognition of professional qualifications and this will be under discussion during our Presidency. The aim is to ensure much greater freedom for qualified people in a wide range of professions to practice throughout the Community.

All of this represents an ambitious agenda for the Internal Market Council. We made a good start at the July Council with the adoption of some half a dozen individual measures. Our task during the remainder of the Presidency will be to add substantially to the number of important agreements.

Alan Clark

FOOD FOR THOUGHT

Whether you are talking about beef, brandy or Bramley apples — there's a mountain of legislation that is blocking free trade in the food and agriculture business. **THE RT. HON. MICHAEL JOPLING MP, MINISTER OF AGRICULTURE, FISHERIES AND FOOD,** describes what he sees as the main blocks in this area to the Internal Market and how he hopes to tackle them during the British Presidency.



In my sector, there are two main blocks of Internal Market items.

First there is **veterinary legislation.** This covers rules dealing with the control and prevention of animal diseases, with meat hygiene and with the control of veterinary medicines. Many of these rules are already in place and what is needed to complete the Internal Market is the addition of a number of new directives in areas not yet harmonised and the updating of various existing measures.

At the September Agriculture Council we reached agreement on the directive on the monitoring of residues in meat. In this field of consumer protection I now hope to see the adoption of the directives on medicated feedingstuffs and on the updating of the meat products and fresh meat directives.

As for specifically animal health measures, my aim in the remaining months of the year is to conclude work on the harmonisation of import rules for trade in semen and on the strengthening of the existing measures for the control of classical swine fever in the Community as a whole and of African swine fever in certain parts of it. This is a delicate area since we have to make sure that any new veterinary directive takes proper account of the need to minimise the risk of spreading animal disease; and that measures of consumer protection really have that effect.

The other main block of work is on **food and drink standards.** One of our main priorities here is to get agreement during our Presidency on the draft directive on the definition of spirit drinks and aromatic wines. This would ensure that traditional drinks (such as whisky and brandy) are produced according to the accepted traditional methods and meet certain standards without inhibiting the

development of new alcoholic drinks. It would thus protect the interests both of consumers and of producers. Progress towards agreeing this regulation has been slow since the Commission first tabled a proposal in 1982. Now that we have a revised and updated proposal from the Commission my aim is to bring discussions to a satisfactory end.

Apart from spirit drinks, the major objective for our Presidency in the food and drink area is to make progress on the four framework directives proposed by the Commission on food labelling, foods for special nutritional purposes, food additives and materials and articles in contact with food. Each of these directives seeks a mandate from the Council delegating to the Commission authority to elaborate the detailed harmonisation rules in each subject area. The procedures by which the Commission will exercise their powers are crucial and discussions in the food area link with the more general discussions in the Council on the codification of Commission's executive powers. I want to see as much progress as possible here, though there are hesitations among member states over the Commission's initial procedural proposals.

I will also be looking for progress — and, I hope, agreement — on three other food items, namely, flavourings, extraction solvents and quick frozen foods.

There are individual items of importance outside these two main blocks of work and we are not neglecting them. For example I hope to see agreement on seeds (the improvement of the seed certification system) and pesticide residues (acceptable residue limits for two chemicals used to improve the appearance of apples).

Michael Jopling

Travelling into the nineties

Taking the frustration out of frontiers is the job of the transport experts. **THE RT. HON. JOHN MOORE MP, SECRETARY OF STATE, DEPARTMENT OF TRANSPORT,** sets out his hopes for freeing the traveller by air, road or sea from the web of restrictions that still face the business traveller, haulage contractor and tourist when he crosses Europe's paper frontiers.



Since the creation of the European Community, an immense amount of work has been done to remove non-tariff barriers to the trade in goods between Community countries. Yet goods can never flow with genuine freedom while there remains so much inflexibility in the way in which they may be transported. And European business is bound to be adversely affected while there are so many national restrictions on transport services, imposing a burden of cost and inefficiency.

For the UK Presidency, therefore, the liberalisation of transport must be a major priority. Only by such liberalisation can we achieve the lowering of transport costs and the better services which we all owe to our business, our industry and our customers.

International road haulage has become ever more important in the economic life of the

Community. But its development has been hindered by the permits required for entry to some Community countries and delays at frontiers within the Community while goods, papers and permits are checked. We welcomed, therefore, the agreement reached by member states in November, 1985 on the abolition of quantitative controls on road haulage in the Community by 1992, and the agreement on 30 June this year — the last day of the Dutch Presidency — on transitional arrangements involving annual increases of 40% in the Community permit quota. But these are only outline agreements. One of the tasks of our Presidency will be to flesh them out and bring them to the form of agreed Community instruments. At the same time we must continue with the work which has already begun on removing distortions to competi-

tion in road transport. In this area, we see the development of a Community policy on vehicle taxes and rolls as particularly important.

Agreement was largely reached under the Dutch Presidency on a further Frontier Facilitation Directive and we are now trying to tidy up the loose ends which have so far prevented its formal adoption. This Directive strengthens and improves the provisions of the existing Directive, which came into effect at the beginning of 1985, for speeding up the checking of goods at intra-Community frontiers and should help to improve the present situation at these frontiers, which operators often find so frustrating.

Road passenger transport in the Community singularly suffers from a web of bureaucratic restrictions. The successful deregulation of our domestic long-distance coach services in

the United Kingdom has shown how effective such a policy could be if applied to the Community as a whole. We hope that the Commission will shortly bring forward their promised proposals on the liberalisation of Community coach services so that we can begin work on this during our Presidency.

The efficient operation of the shipping and aviation sectors is also vital to European business and consumers alike. With the difficulties currently facing the Community's fleets, we hope to reach agreement by the end of the year on a fair and liberal internal shipping regime for the Community and a common approach to meeting competition from outside the Community. We shall therefore be taking forward the discussions in Brussels on the four draft Regulations submitted as part of the Commission's memorandum on shipping, which will form the basis of a coherent

Community shipping policy.

Aviation in Europe is currently highly regulated and governed by restrictive bilateral agreements. This seriously constrains the scope for competition and for the development of new services. The European air traveller has suffered considerably because of the present regime. Over the last couple of years the UK has concluded a number of liberal aviation agreements with Germany and the Benelux countries, which have quickly shown the benefits of such arrangements. The liberalisation of air transport in Europe is well overdue and we see this as a major area for early progress.

The June Transport Council agreed in principle on the necessity of a coherent Community air transport system in the context of completing the internal market by 1992 and we now hope to make progress in negotiating the implementation of a

package of practical measures covering market entry, air fares and capacity to allow competition between airlines. The recent European Court of Justice ruling that the competition rules of the Treaty of Rome do apply to air transport and the Commission's subsequent decision to send letters to the major carriers in nine member states requiring them to comply with the competition rules of the Treaty should give greater impetus to the negotiations.

There is then much to be done during our Presidency. But we must make progress in these areas, if the achievement of the internal market by 1992 is to be a reality.

John Moore

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10 DOWNING STREET

Prime Minister

Could I please
ask you to
consider this again?

You have even less
time in London
than in Strasbourg.

Would you agree
to see them in
Strasbourg, but after
the debate in the
European Assembly is
over? Speed _{no} CDP 3/xi



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 November 1986

EC INTERNAL MARKET: KANGAROO GROUP

Thank you for your letter of 31 October asking whether the Prime Minister would agree to see leaders of the Kangaroo Group.

The Prime Minister would be ready to see the Group while she is in Strasbourg. She would not, however, wish to leave the Chamber of the European Assembly during the debate on her report. We shall therefore have to look for a time in the afternoon.

Incidentally, we may need to arrange for the Prime Minister to meet members of the EDG in Strasbourg that afternoon if it proves impossible to fix a time for them to meet her in London before 9 December.

I am copying this letter to David Williamson in the Cabinet Office.

C. D. POWELL

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

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