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EHG(R) (88) (1B)

EUROPEAN COUNCIL, RHODES 2/3 DECEMBER

**SINGLE MARKET**

UK Objectives

To confirm the Single Market as the Community's main priority.

To reaffirm the priorities set at Hanover for work in the immediate future.

To avoid prejudicial language on the Social Dimension, monetary issues, frontiers or tax harmonisation.

DK1APX/1

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Delors Report.

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Opening Speaking Note

- Congratulate Papandreou on solid work done by Greek Presidency. Has added to achievements since we began this ambitious programme three years ago. Agreement so far on a dozen Single Market measures. Particularly worth noting agreement on Public Works Directive and five key food law Directives.

- Grateful to Delors for Commission's Article 8b report. As report says [para 24] "there is cause for satisfaction and encouragement in what has been achieved". That is why we said at Hanover in June that progress towards Single Market is now irreversible. We have come a long way.

- Would like to single out some of the areas where progress has been most satisfactory:

- the agreement on abolition of exchange controls was a long overdue decision. We in the UK are confident of the benefits it will bring. And our own 1979 experience shows that the risks are much exaggerated;

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*1 1/2 hrs - Int  
Delors  
Bout Poly  
Transport*

*Lehmann. Media - United. Delors. 7.30*

*Delors on EC. Sir. - Monday 8.30*

*Union  
Int. role*

*W. II  
Middle  
East II  
Cyprus II*

*Int. role  
M. Europe  
Special  
Group*

*To narrow  
of his - limit  
submitted*

*Midway  
Review*

*Single Act*

*Speed up work  
to be adapted by 1991*

*Reassess  
Delors Powers  
to Commission*

# Social Dimension

- not an add-on burden on industry

It is a political objective

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All social groups will have a contribution

Conclude unemployment

Dispute market  
interests

Legislation in Member  
States

- the abolition of lorry quotas was

a major step in opening up one of the most  
over-regulated sectors of the European economy;

- agreement on the non-life insurance Directive

showed what we can do in opening up financial  
services;

- allowing professionals to work anywhere in the  
Community without requalifying is just the kind of  
practical step that genuinely benefits Europe's  
citizens;

- agreement on the Public Works and Public Supplies  
Directives will cut costs, and improve the  
international competitiveness of European  
industry;

- And we have made solid progress on standards. Not  
glamorous work and often very complex, but vital if  
business is to be able to treat the single market as a  
genuine home market.

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*Hanover*

- At Hanover we agreed priorities for immediate future: "completion of the internal market in the area of public contracts, banks and other financial services, the approximation of standards, and intellectual property".

- There is much still to be done on these, and I believe this framework should continue to be our guide for the months ahead.

- Theme of achievement so far has been liberalisation. We have opened up markets. We have cut red tape and regulation. We have encouraged competition. We have cut burdens on business. We are making European business fit to compete on an equal footing with US and Japan.

- That remains the priority task. Our first aim must be to complete the process. As the Commission's report says [para 3] "the completion of the internal market is not only the key to the Community's prosperity, it is the key to the Community's future". Let us not lose that key.

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- And let us not shut ourselves off from the world.

We agreed at Hanover that the "Single Market must not turn in on itself". Commission's 19 October statement was a welcome confirmation that the Community has a fundamental interest in open multilateral trade.

No-one of us wants a fortress Europe. For all of us know that if we built a fortress we would be its first prisoners.

- While I don't agree with every word of the Commission's report, I am happy that we should today take note of it, take it into account in our future work, re-emphasise the immediate priorities which we agreed at Hanover and reconfirm our commitment to completing the Single Market.

### Others' Objectives

Most Member States are likely to be content to take note of the Article 8b Report and will not want to reopen the Hanover priorities. But some will want substantial conclusions language on the Social Dimension, and many would be reluctant to argue against the abolition of frontiers. Delors may press the Article 8b Report's recommendation that tax harmonisation, animal and plant health and frontier controls on people should be added to the Hanover priorities. The wide scope of the Report may produce an equally wide-ranging debate, though no-one, including the Commission, seems inclined to raise tax approximation (EHG(R) (88) (1D)) or monetary cooperation (1E). Mitterrand may raise audio-visual developments (1H). Delors or the Greeks may raise Youth Questions (1I). Kohl may revert to his suggestions for more police co-operation, and a Euro-FBI. Papandreou may argue for a study of economic problems of small islands, and for more impetus to EC work on transport infrastructure (1K): but he can expect little support.

Common  
capital  
will hold  
but

### Our Response

[To any suggestion of a detailed timetable of single market measures]

- We agreed a set of priorities at Hanover. We have started work on them, but there is still a great deal to do. Much too early to talk about a new set of priorities.

- White Paper already sets out Commission's view of what needs to be done. Single European Act deliberately avoided a detailed timetable. Fact is that it would be unrealistic. The way to keep momentum going is to concentrate on areas where we can realistically expect progress. To try to force the pace on areas of greatest difficulty would be counter-productive.

[To argument that Single Market means no Frontier Controls]

- We are all committed, under the terms of the Single European Act, to greater freedom of movement within the Community. Free flow of goods is the logic of the Single Market. And our citizens rightly want unnecessary checks at frontiers removed. And for EC

nationals we shall be able to move a long way in this direction. We plan to move to a single EC channel (including all UK citizens) at all UK ports of entry. That way we shall ensure no difference of treatment between UK and other EC nationals. And freer flow of both.

- But that does not mean we can abolish all controls.

We need to retain our defences against illegal immigration of non-EC nationals. And we agreed at Hanover that we must, and can, retain whatever checks are necessary to combat terrorism, crime and drugs. Complete abolition would help drug traffickers, terrorists, etc, and so hurt law-abiding citizens. Commission rightly point out [para 15 of report] that enforcement agencies have a legitimate rôle in frontier zones. Mustn't pretend problem doesn't exist.

[To complaints that removal of frontiers for goods is going too slowly]

- Of course there are areas where more needs to be done. We all understand the costs of frontier controls: the Cecchini report highlighted them, and we are determined to reduce them as soon as possible. In

the United Kingdom we are already taking positive steps to introduce new "fast-lane" procedures next year, to speed the movement of Community freight through our ports. Aiming for substantial reductions in times for customs clearance for lorries.

- But I frankly don't agree that reducing barriers to trade requires prior approximation of indirect taxes, as proposed by the Commission. Most Member States have serious reservations about the Commission's proposals. We have put forward an alternative approach, based on market forces, aimed at removing fiscal frontiers altogether. This avoids the need for a complicated clearing-house or the difficulties of bringing VAT and excise duty rates closer together on an artificially-imposed pattern. Under our approach goods should be able to move without being stopped at frontiers except when smuggling is suspected. We believe that this offers the best chance of real progress by 1992.

[If Kohl raises ideas for a Euro-FBI]

- We agreed in Hanover on the need for greater co-operation between Member States' police forces. That must be our first objective: important work is already being done in the TREVI Framework, the Pompidou Group and elsewhere. We must build on this to ensure that the means of protecting our security are equal to the challenge of new conditions.

[If there is discussion of the study on immigration]

- Important to assess the effect of the Single Market on third country nationals entering and residing within the Community. This is why we welcomed Mr Lubbers' initiative at Hanover for a study to be commissioned. Will shed light on difficulties of creating an effective external fence.

[If the Right of Residence Directive is raised]

- Support measures to promote free movement of persons in accordance with the Treaty, but have continuing reservations about current proposal. Financial and legal implications require further study.

[To complaints about slow progress on Animal and Plant Health]

- Agree that much work remains to be done on animal health. Top priority must be to eradicate most serious animal diseases from Community. This is within our grasp. If we succeed, need for many of existing frontier checks will disappear.

- But must keep adequate controls until eradication schemes successful; to demolish prematurely would mean reducing health status of some regions of Community and losing valuable exports to third countries.

- We are looking to the Commission to bring forward proposals for new plant health controls. Clearly essential to develop new measures to protect plant health before agreeing to phase out existing controls.

[If Delors seeks further endorsement of the European Company Statute]

- Key question is whether a European Company Statute will be of use to business. Current evidence is that European business sees no need. European Round table is opposed. UNICE does not see it as essential. Moreover a European Company Statute which contained mandatory provision for worker participation arrangements would be positively harmful to business. We all have differing traditions in this field: in the UK employee shareholding schemes have taken off notably. To try to impose a new overall legal requirement would do serious damage.

[If it is argued that June 1987 Brussels Council and June 1988 Hanover Council endorsed European Company Statute]

- What we are talking about is the Commission's current Memorandum. We agreed at Hanover that the Memorandum should be examined. We did not make the issue a priority. We have now examined the Memorandum, and we have the strong reservations I described.

[If the Merger Control Regulation is raised]

- Serious problems of substance remain to be resolved. We have a general reserve until we see how the Regulation as a whole comes out. Glad that Commission will also look at action necessary to level the playing field for takeovers.

*Community Trade Marks office*

[If the CTMO site is raised]

- Only acceptable solution is one that is cost-effective for business. That rules out a split site. Believe London is best option. But it occurs to us that a sounding of first and second preferences might help to break the deadlock.

[If M Delors wants commitment to fast progress on proposals on procurement in water, energy, transport and telecommunications sectors]

- Commission's proposals form a basis for making progress. Necessary to examine extent to which absence of competition makes rules necessary. Important to take forward quickly.

Independent business

- High resolution 9.11  
Director

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80%  
13/4 Community  
1. Open  
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**FURTHER DEVELOPMENT OF THE COMMUNITY: OTHER ISSUES**

Objectives

**(1) ISLANDS**

- To kill off any Presidency ideas for a Commission study into the economic problems of islands.

**(2) TRANSPORT**

- To resist proposals for a separate Transport Infrastructure Fund, or other ideas that might increase Community spending on transport.
- To press for progress on air/sea/land transport liberalisation.

80%  
80%  
**(3) RESEARCH**

- To prevent pre-emption of decisions on the mid-term Review of the R and D Framework programme.

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- But help for infrastructure provision within member states is already well covered by the Regional Development Fund. Infrastructure is an excellent use for ERDF money. No justification for a separate Transport Infrastructure Fund.

- Difficulties with infrastructure are not the only transport problems we face. There are a number of areas where we have made little progress in the last year. These include shipping cabotage, road haulage cabotage, and air transport liberalisation.

- We won't have a real Single Market until we have cleared such restrictions away. Nothing would better demonstrate to the man in the street the reality and value of the 1992 programme than lower transport fares, and better transport services, throughout the Community. I hope we will see progress on all these issues in the Transport Council before long.

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Speaking Notes

(1) ISLANDS

- We are very conscious of the particular problems faced by island communities. However, we see no point in a new study: the problems are familiar.

- The right course is to ensure that the Structural Funds, especially the Regional Development Fund, are used as effectively as possible to tackle such problems.

- A further measure to help the economies of islands, particularly the Greek islands, would be to liberalise shipping cabotage services. Freer competition would ensure that island communities received better, cheaper services than they do now, with consequent benefits to their economies.

(2) TRANSPORT

- We understand the Presidency's wish to see progress on transport infrastructure. We sympathise with the particular problems faced by Greece.

Don't do talk

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(3) RESEARCH

- Have to make sure that the priorities for EC-funded R&D reflect our wider priorities, such as industrial competitiveness, the single market or the environment. Must also ensure that proposals for new Community R&D do not cut across work already being done. And must be ready to reduce spending on projects which have not been productive or which are reaching the end of their useful life.

- [If necessary] Mid-term review of R&D Framework Programme not due until next year.

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Others' Objectives

(1) ISLANDS

- The Greeks have not so far secured any support for their bid for a Commission study of the economic problems of islands. Delors wants nothing to do with the idea.

(2) TRANSPORT

- The Greeks may argue, with some Southern (and Commission) support for a Transport Infrastructure Fund. France and Germany so far disagree.
- Denmark, the Netherlands and Belgium may criticise German plans to charge an extra fee for lorries using the German motorway system. (Similar Belgian plans were dropped after heavy criticism from eg FRG).

(3) RESEARCH

- The Greeks may argue for a future increase in EC R&D funding.