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Opening Speaking Note

① - Congratulate Spanish Presidency on six months of excellent progress on the 1992 programmes. Record number of measures agreed - over 60. Completing the Single Market remains the Community's No 1 priority.

- It is work which has caught the world's attention. Our success or failure against the target we have set ourselves is the yardstick by which the world will judge the Community.

② - Progress so far is good, and primarily because the hallmark of the programme has been deregulation, not unnecessary harmonisation.

- Hence the agreement to abolish exchange controls, the "new approach" to standards, last week's "Single Passport" for Banks and the Directive on Mutual Recognition of Diplomas. These measures let people get on with unifying the market. They keep government out of their hair.

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- We have respected the principle of subsidiarity, and we must go on doing so - freeing the market to do what it alone can do: create sustainable prosperity by providing opportunity.

- We must now keep up the momentum. What measures can we agree in the next twelve months to maintain the progress of the last year?

- I suggest 4 priority areas.

Grandpère
- First, what kind of Single Market will it be if people and goods can't move freely? Transport is the vital underpinning of the freedoms we agreed in the Single European Act.

- Air transport a key sector. Some progress so far. But more needed. Why can it be cheaper to fly from London to Bangkok, than to Athens? Why can it be cheaper to fly 3000 miles across America than 300 miles within the Community?

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- The deregulated Dublin-London fare fell from £125 to £85 (40% in real terms) between 1986 and 1989. If only we could do that between London and Paris or Brussels, where fares per kilometre are more than twice as high.

- Making a reality of the Single Market for the individual citizen means making travel within the Community easier for him. Whether by air, rail or road.

- And improving the efficiency of the Community economy mean removing out-dated restrictions on the transport of goods. Protectionist cabotage rules have no place in a real Single Market.

(2)

- We need to set markets free. Take financial services. We need to widen choice, and encourage competition. Following the banking success we must now get ahead with the Investment Services Directive, and further liberalisation of insurance.

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③ - Freeing markets also means further progress on standards, and on testing and certification. Vital ways to remove barriers to trade.

④ - And it means reducing government intervention. Early agreement on liberalising procurement in the water, energy, transport and telecommunications sectors should be possible, opening up contracts worth at least 100 ^{million} ecu a year to genuine competition, and so cutting costs and improving efficiency.

- These 4 priorities should, I suggest, be reflected in the work we do over the next year, in building for 1992.

- But having legislated on some 50% of the measures necessary for 1992 we must not forget implementation. Here the Community's collective record so far is less good.

- The Commission are right to remind us that our target is not to secure by 1992 agreements in Brussels on the measures necessary for a Single Market. Rather it is to ensure that by 1992 all such agreements are

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translated into national practice throughout the
Community.

- We must also remember that our goal is to create a
level playing field for free competition. Removal of
barriers to trade must be accompanied by action against
hidden distortions. Welcome Commission's vigorous
approach to unfair state aids, and the launching of a
study on barriers to takeovers. Hope Commission will
extend its work in these areas.

- In an ever more competitive world, and faced with
growing challenges from Asia and the Pacific, we as a
Community have rightly decided that our economies are
not to decline into genteel poverty.

- We have rightly decided that Europe is not to become
a quiet backwater, bypassed by the tides of new
technology, uncompetitive and inward-looking.

- We have rightly chosen the more courageous course.
To go for the free competition within the Community
from which will come the new vitality to make the
Community more competitive in the wider world.



MADRID EUROPEAN COUNCIL: SOCIAL DIMENSION

SECOND SPEAKING NOTE FOR THE PRIME MINISTER

(1) - Discussion just beginning on idea of Social Charter.
First Commission draft circulated last month - clearly many
problems with it. First discussion by Social Affairs
Ministers only a fortnight ago. Mustn't jump to premature
conclusions.

- Need to be clear what we are trying to achieve.

- Cannot believe it is full harmonisation of national law
and practice in social field. This is not necessary for
Single Market. Indeed, unnecessary new regulation could
stifle new competitiveness we all seek. (2)

- And would fly in face of doctrine of subsidiarity. (3)
Differences between Member States' traditions cannot be
disguised.

- They are well illustrated in the Commission study on
Member States' working conditions which was commissioned at
Hanover, and which I have just seen. It demonstrates very
clearly the three fundamentally different approaches to
social provision and regulation, the Roman-Germanic, Nordic
and Anglo-Irish traditions.

- It is perhaps not too much of a caricature to describe
the essential difference between the main continental
tradition and the Anglo/Irish one as the difference
between defining rights and defining illegalities.

- In Britain everything is permissible that is not barred
by law: I appreciate that in other countries the law may



define what is permissible. Cannot wish away hundreds of years of history.

- So what is answer? As far as UK is concerned, clear that economic progress and development of enterprise culture have been achieved without sacrificing high levels of social protection. Our record and our current provisions are impressive: they are set out in a document which I would be happy to circulate if that would be helpful.

- Would have no objection to our today making clear our *damage to* common determination that there should be no ~~levelling down~~ of social provisions because of 1992. Completion of the Single Market should indeed have the opposite effect.

- Would also have no objection to our reaffirming the intention of all member states to ensure, based on their current practice, that this determination applies in such areas as equal opportunity, freedom of movement, freedom of establishment, and high standards of health and safety at work.

- And that it extends also to social protection - *adequately* ~~minimum~~ level of income, pensions, financial help for the low paid, medical care and care for the elderly and disabled.

- But of course the principle of subsidiarity should apply. Whatever statement we make should make clear that, in the areas covered, there ought to be appropriate legal or other provision in each Member State. But should also make clear that it would be up to each Member State to decide how to make such provisions. In some there will be greater central regulation; in others the voluntary approach will dominate.



- And it should be clearly stated that there would be no new follow-up EC legislation (except in areas where Community agreements already exist). It is the idea of a Commission legislative action programme, over-riding subsidiarity and suppressing diversity, which causes me particular concern.

- UK therefore not ready to agree here and now that there should be a social charter. We need to draw breath, consider the aim of the exercise, and see if a text which all could accept could be devised. Need to study the Commission report produced five days ago, and analysis it contains. Need to start from first principles.

- So I am ready to agree that work should continue, but I am not ready to agree to preempt that work today.