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REMOVING BARRIERS TO BUSINESS IN EUROPE

Since the European Council last December endorsed proposals for deregulation at Community level, on the general lines which the UK had been urging, the Commission has been making useful progress towards implementing them. A task force with specific responsibility for deregulation and small firms has been set up, with a British director, under Commissioner Matutes; a system of impact "fiches" has been adopted and should come fully into operation in the Autumn; and the Belmont European Community Law Office will be reporting at the end of the year on the burdens imposed by existing EC directives. During the United Kingdom presidency we shall be aiming, in consultation with other member countries, to give the subject a higher profile and develop specific proposals to carry forward the work that has been begun.

I have no doubt that the fiche system is potentially an extremely useful instrument for getting the Commission to show greater discipline in its thinking about proposals for new legislation. I hope it will also provide the basis for a closer dialogue between the Commission and business in developing proposals. It is up to all of us to make full use of this system - at official and ministerial level - and I think it would be helpful to have reports from Departments on how they are dealing with the new arrangements. The EDU is getting in touch with their departmental deregulation contacts about this.

We cannot however afford to neglect the body of regulations emanating from Brussels which already have far-reaching



significance for business in the UK and other member states. The Belmont study should for the first time provide a considered statement of the burdens imposed by existing EC regulations and legislation implementing them at national level. I am in touch with the CBI and UNICE and have encouraged them to give their input to the Belmont study a high priority.

I am under no illusions about the difficulties of securing effective action to dismantle or qualify existing EC burdens. I am aware of a belief in Europe that the "acquis", reflecting as it often does a delicate compromise between conflicting national interests, is a statement of minimum economic and social standards that must not on any account be interfered with. There is a risk that, in challenging individual directives, we might reinforce suspicions that the UK is seeking to use deregulation to further "anti-European" objectives. Action to identify and remove unnecessary or costly regulations may in some instances run counter to current UK policies where Departments have concluded that there is little alternative but to acquiesce in proposals for which they have little enthusiasm. On the other hand I believe the price of failure to tackle the problem, in terms of lost markets and jobs, will be high.

The Belmont study is geared to assessing the burdens perceived by business, and is not seeking evidence direct from governments. I do not anticipate therefore that the UK will wish to make any formal submission to Belmont. We do however clearly need to be developing our ideas about priorities for action to relieve Community burdens, so that we are able to respond adequately to the findings of the study when they emerge and to maintain the credibility of the deregulation initiative as a whole. Although there is wide support among member governments for a deregulation strategy, I am conscious that others are looking to the UK to take the lead and come up with firm proposals, and unless we have a clear set of priorities the deregulation exercise will in due course lose momentum. We cannot afford to allow this to happen.

Against this background, I should be grateful if you would consider what are the major targets which your Department might aim to secure as a result of action flowing from the Belmont study. I recognise that, in many cases, these may be fairly long-term in nature, and require a good deal of consultation and negotiation with other governments. It would be helpful however if you were also able to include some items on which it should be possible to make progress in the shorter term. You will no doubt wish to draw on the initial list of existing Community instruments which we drew up last year and circulated to the Commission and other member states as an indication of possible targets. I doubt however if this list, drawn up at a time when we could not foresee how others would respond to our suggestions for a deregulation initiative, is radical enough for the present purpose.



I hope you will be able to identify two or three substantial items which have a significant impact on business and could usefully be examined in conjunction with our Community partners, in addition to other items which, although less substantial, nevertheless impose unnecessary costs on business including e.g. bureaucratic requirements of one kind and another. For each item, I would be grateful if you would let me have in a separate note details of the problems to which the regulation has given rise, possible action that might be taken to remedy them, and prospects for securing agreement on necessary changes.

I am copying this letter, with a similar request, to Nigel Lawson, Douglas Hurd, Michael Jopling, John Moore, Nicholas Ridley and Norman Fowler, all of whom were represented on MISC 121, and Peter Walker; as well as to the Prime Minister, Geoffrey Howe and Sir Robert Armstrong. It would be helpful if colleagues could reply by the end of September, and we can then consider what further steps may be needed to draw up a credible and balanced statement of UK priorities. If necessary, we could meet so as to form a rather clearer judgement about our deregulation objectives as a whole and the best way of achieving them.

Lawson
Howe