



BM

10 DOWNING STREET
LONDON SW1A 2AA

19 November 1986

From the Private Secretary

THE INTERNAL MARKET

The Prime Minister has considered the Foreign Secretary's minute of 18 November suggesting ways in which we could unblock various measures relating to the internal market in advance of the Internal Market Council on 1 December.

The Prime Minister is content with the course proposed and agrees to send a message to her European colleagues in the terms of the draft attached to the Foreign Secretary's minute. This may, therefore, be despatched.

Bf||

I am copying this letter to the Private Secretaries to the Secretary of State for Trade and Industry, to the other members of OD(E), to the Secretary of State for Transport and Sir Robert Armstrong.

(C.D. POWELL)

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

LB



CCP 10

Yes and Prime Minister
 Agree to send a
 message to EC Heads of
 Government, to urge them
 to break the log-jam
 on the internal market
 by 1 December? The text of
 the message (flagged) is
 unexceptionable.

PM/86/071

THE PRIME MINISTER

The Internal Market

1. We have made the internal market a main priority of our Presidency. We have so far succeeded in securing the adoption of fourteen measures but decisions on others are blocked because of outstanding objections by member states. Few of these objections are significant on their own but, taken together, they risk holding up agreement on another thirteen proposals.

CDP
18/11

2. We discussed this problem in OD(E) last week. Paul Channon and Alan Clark have now developed an initiative to unblock progress in the Internal Market Council. The package, which has the support of Jacques Delors and Arthur Cockfield, concentrates on measures which are close to agreement. It would require some shift in position by virtually all member states. But each would see that it was not alone in having to make a move. On some issues, we would have to move from our current position. But it was agreed at OD(E) that we should be ready to do so to reach an

/overall



overall agreement, and given that no very important UK
/ interest is affected. I enclose a copy of the list of the
measures on which we shall be concentrating with an
indication of the kind of shift of position which needs to
be made to get agreement.

3. Alan Clark and his officials will be visiting Community
capitals to try to get agreement to our initiative before
the 1 December Internal Market Council. The only way we
shall make progress, however, is if other Governments are
willing to give effect to their political commitment to make
the internal market a top priority and to stick to 1992 as
the target date for its completion. It was Heads of
Government who first took the decision to try to unblock
progress on the internal market and it may well require
their intervention to get decisions taken now. I therefore
hope that you could agree to send a message to all EC
Community Heads of Government asking them to give the
necessary political direction to break the deadlock. I
/ enclose a draft in the form of a telegram to our posts.

4. In order to have a real prospect of success, our
initiative has been confined to those items which fall to be
decided in the Internal Market Council on 1 December.
Michael Jopling is considering separately how best to make
progress on these items on the internal market agenda which
are due to be decided at the November and December
Agriculture Councils. John Moore, as you know, is working
on those Member States who blocked agreement on air
transport at the Transport Council last week but he would
find it helpful if you could refer to transport in your
message to Poul Schluter, whose Aviation Minister has taken
a more unhelpful line than we might have expected.

/We



5. We shall certainly wish to raise Internal Market issues, including Transport, at the European Council. The exact terms in which we do so must depend on what we achieve at the 1 December Internal Market Council. I shall have some ideas to put to you on this.

6. I am copying this minute to the Secretary of State for Trade and Industry, other members of OD(E), the Secretary of State for Transport and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

18 November 1986

CONTENTS OF THE PROPOSED INTERNAL MARKET PACKAGE

COUNTERFEIT GOODS. The proposed Council Regulation lays down measures to prevent the importation of counterfeit goods (eg cheap and unsafe car spares). The UK strongly supports the proposal, but has an outstanding difficulty over the allocation of resources to implement it. Italy has a problem over the Community's competence to conclude agreements with third countries.

FRONT ROLL-OVER PROTECTION STRUCTURES (ROPS) ON NARROW TRACK

WHEELED AGRICULTURE OR FORESTRY TRACTORS. The draft Directive is one of a series relating to the safety of agricultural and forestry tractors and will establish common standards for roll-over protection on narrow tractors (there is similar provision for normal tractors under existing directives; narrow tractors are particularly vulnerable to rolling over). We are trying to find a satisfactory solution to Spanish difficulties over the procedure for testing whether structures meet the new standards.

THE PHARMACEUTICAL PACKAGE. The package consists of four draft Directives and a recommendation laying down procedures governing the marketing and testing of human and veterinary medicines. They extend existing Community rules and bring them up to date with recent developments in biotechnology. Two separate sets of problems have arisen:

Two directives and the recommendation

The Germans and Greeks are unhappy with the proposed committee system which they believe would give the Commission too much power (we are content with it). However, the Germans and Greeks have recently hinted that they could accept a compromise.

Remaining Two Directives

Spain objects in principle to the protection against copying which these Directives would give to new and innovative medicines. However, Spain is out of step with the rest of

the Community (including the UK) and our latest information suggests that they may be susceptible to pressure.

GOOD LABORATORY PRACTICE. The proposal would require laboratory tests on chemical substances (carried out by manufacturers and importers to evaluate health and environmental risks) to conform to internationally agreed principles. We are close to agreement, and await the submission of a Commission document to deal with German problems over the freedom of member states to conclude agreements with third countries.

NOISE OF DOZERS AND LOADERS. The proposal sets noise limits for hydraulic diggers and excavators. The Danes are holding out for stricter controls than the directive specifies and will be pressed to concede.

INDUSTRIAL (FORKLIFT) TRUCKS. The proposal would establish common construction and safety standards throughout the Community for industrial trucks (eg forklifts) and tow tractors. It has been blocked on the question of a standard pedal layout because of German concern to protect their domestic producer. We are aiming for a solution to their problem which does not create difficulties for the UK (as the other major European producer).

AMENDMENTS TO THE SUPPLIES DIRECTIVE. The proposals would amend the existing directive on public procurement (which aimed to encourage more open and competitive tendering procedures). The intention is to tighten up compliance, improve the transparency of tendering procedures and promote the use of European standards. A substantial number of detailed points remain to be resolved, and to ensure that this gets done by the end of the year some further political impetus would be helpful.

STANDARDISATION IN THE FIELDS OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS. The intention is to define standards for public purchasers in member states to use when buying IT and telecommunications equipment. The UK and Germany had reservations

about the original text. The UK (with partial German endorsement) has been negotiating a satisfactory compromise with the Commission. We may need to put pressure on Germany to accept it.

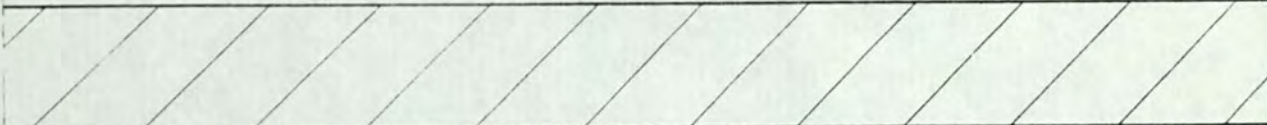
LEGAL PROTECTION OF MICROCIRCUITS. The proposal would require all member states to enact national laws protecting original designs for the internal layout of semi-conductor integrated circuits. We have been arguing for stricter controls on copying than other member states are prepared to accept, but could accept a statement in the Council minutes calling on the Commission to reopen the question if problems develop in practice.

OUT TELEGRAM

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11	EC INTERNAL MARKET: UK PRESIDENCY INITIATIVE
12	
13	1. In a Presidency initiative to reach agreement at the Internal
14	Market Council on 1 December on some 13 blocked items in the
15	internal market action programme DTI Ministers will be visiting a
16	number of Community capitals in the next fortnight. The visits
17	will focus on the Member States with most outstanding reserves on
18	the 13 items. Mr Alan Clark, Minister for Trade and Chairman of
19	the Internal Market Council will be visiting Bonn, Rome and
20	Copenhagen on 26/27 November. Lord Lucas, Parliamentary Under
21	Secretary for Trade and Industry, and Mr Clark's Deputy at the
22	Internal Market Council will be visiting Athens and Madrid
23	earlier that week. Mr Channon will also have discussions with
24	Bosson at the Anglo-French Summit following Mr Clark's meeting
25	with Bosson here on 6 November which established that the French
26	are unlikely to have problems on more than a couple of items in
27	the package.
28	
29	2. The Presidency initiative was foreshadowed by Mr Clark at the



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		Catchword: Internal	
File number LP7ACP	Dept ECD(I)	Drafted by (Block capitals) L PARKER	Telephone no 233 3714
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2 Internal Market Council on 3 November (UKRep telno 3687) and is
3 being launched with the wholehearted support of the Commission.
4 Senior Commission officials will therefore accompany Mr Clark and
5 Lord Lucas.

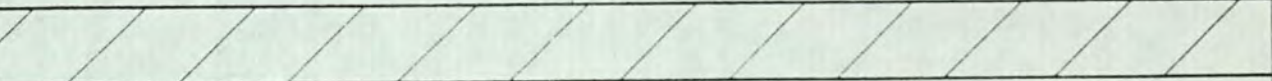
6
7 3. Senior DTI officials will also be visiting the Hague and
8 Brussels as the preceding and succeeding Presidencies with whom
9 we have worked closely on the internal market programme.

10
11 4. To get decisions taken at the 1 December Internal Market
12 Council will require a political effort by all member
13 governments. The rate of progress in the Internal Market Council
14 has been disappointingly slow, in part because Ministers who
15 attend the Council frequently have instructions which give them
16 little or no negotiating flexibility even on relatively minor
17 issues. This reflects the fact that for the most part they do
18 not have direct Ministerial responsibility for the proposals
19 under discussion.

20
21 5. Following very thorough preparation throughout our Presidency
22 in COREPER and the working groups we expect that 13 measures are
23 capable of resolution at the 1 December Internal Market Council.
24 In virtually every case agreement will require no more than a
25 couple of Member States to lift essentially non vital objections.

26
27 6. We therefore propose to proceed on the basis of an overall
28 political package involving the 13 measures to be adopted at the
29 1 December Council. The essence of the approach would be a
30 political commitment by all concerned to lift their remaining
31 reserves: each Member State would surrender one or more
32 reservations in exchange for other Member States doing the same.

33
34 7. To improve the prospects of political commitment we are



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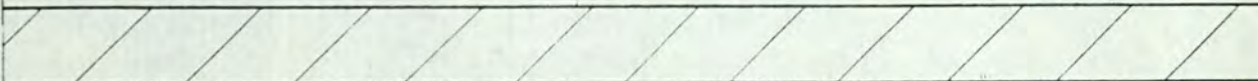
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2 seeking the intervention of other Heads of Government. MIFT
3 contains a message from the Prime Minister. Grateful if you
4 would deliver it together with the list of measures (my second
5 IFT) as soon as possible. Please also make sure that the list of
6 measures in the package is given to the Ministry with overall
7 responsibility for the internal market and make clear that
8 although agreement is near on some of these items past experience
9 suggests clear political instructions may be needed to ensure that
10 all outstanding reserves (even on relatively minor details) do
11 not block agreement at the last minute.
12
13 8. The package covers items on the agenda on the Internal Market
14 Council only. Items which fall to other Councils (notably
15 Agriculture and Transport) are being handled separately.
16
17 9. In handing over the message you should also make clear that
18 this is a Presidency initiative with strong Commission support
19 designed to give effect to the political commitment of all member
20 governments to complete the internal market by 1992. All member
21 states are being asked to make a serious effort. None is being
22 asked to sacrifice a very important interest. In this way we
23 hope to settle these issues at the 1 December Internal Market
24 Council so that they do not have to be raised at the European
25 Council.
26
27 10. Paris: Please explain that Mr Channon will wish to review the
28 prospects with Bosson at the Summit on 21 November, although as
29 Mr Clark explained to Bosson here on 6 November we do not
30 consider France to be one of the problem member states.
31
32 11. Bonn, Copenhagen, Rome: Please explain that Mr Clark hopes to
33 be visiting them on 26 November (Bonn, Rome) and 27 November
34 (Copenhagen) to see Schlecht, Fabbri, Wiljhelms (and Tygesen).

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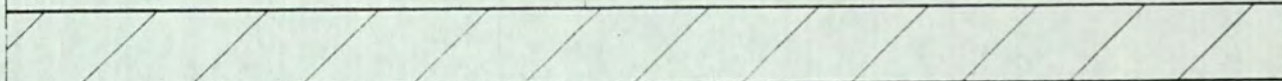
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3	12. Brussels, the Hague: Please explain that we will be keeping
4	them in close touch even though they do not have substantial
5	difficulties with the proposed package.
6	
7	13. Madrid, Athens: Please explain that Lord Lucas, Mr Clark's
8	Deputy on internal market matters, who will be attending the
9	Council, hopes to visit them at the beginning of the week on
10	24 November.
11	
12	14. Dublin, Lisbon, Luxembourg: Please explain that they are not
13	included in the list of visits because of our assessment that
14	they do not have substantial difficulties with items in the
15	package, but we count on their continuing support in the Council.
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17	15. See MIFT
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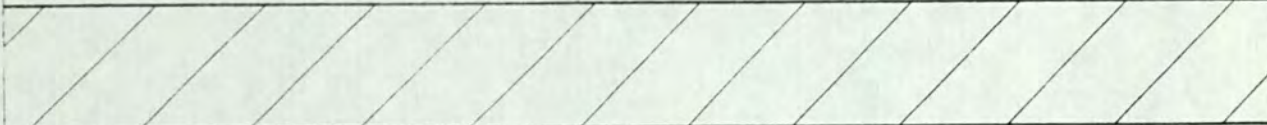


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OUT TELEGRAM *DRAFT MESSAGE*

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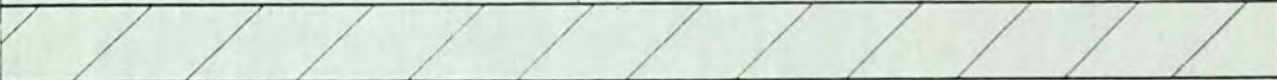
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1 <<<<
 2 before the end of the year.
 3 4. The Internal Market Council has a particularly important role
 4 in ensuring progress and I believe that agreement is possible on
 5 a significant number of measures at its 1 December meeting, if we
 6 are all prepared to renew our political commitment to overcoming
 7 the outstanding obstacles. I am therefore sending you with this
 8 letter a note of measures which are capable of early agreement
 9 given the kind of effort to which we committed ourselves at The
 10 Hague. We cannot allow the pace of decision to be delayed by
 11 technical objections. I propose that each of us should be
 12 prepared to give up our reservations on individual proposals
 13 listed in the attached note in exchange for others doing the
 14 same. I do not believe that this would involve the sacrifice of
 15 important interests by any of us.
 16 5. We shall be following up my letter with discussion with your
 17 ministers and officials. But I want to ask you for your support
 18 for this approach. Without a clear political lead of this kind
 19 we shall not make the progress to which we are all committed and
 20 which industry and the general public expect.
 21 Yours sincerely
 22 Margaret Thatcher *Annal*
 23 ENDS
 24 6. Copenhagen only: Please add an extra penultimate paragraph as
 25 follows:
 26 BEGINS
 27 I should also like to seek your support on one other internal
 28 market issue of immediate concern - air transport. If the
 29 Community is to make a real impact on people's lives it cannot
 30 allow the European airlines to go on shutting out competition and
 31 keeping the availability of cheaper fares unjustifiably
 32 restricted. I was very disappointed to see that at the Transport
 33 Council on 10-11 November Denmark joined with those member states
 34 who were unwilling to agree even to a first step which would



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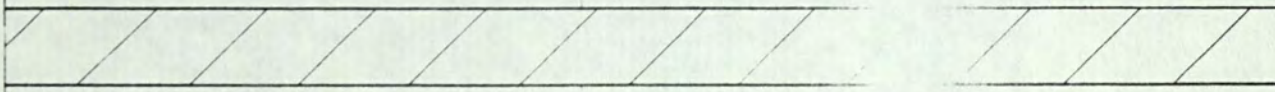
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2	bring some real benefits. May I ask you to take a look at this
3	yourself in the hope that we can reach agreement in the very near
4	future.
5	ENDS <i>ms</i>
6	7. See MIFT.
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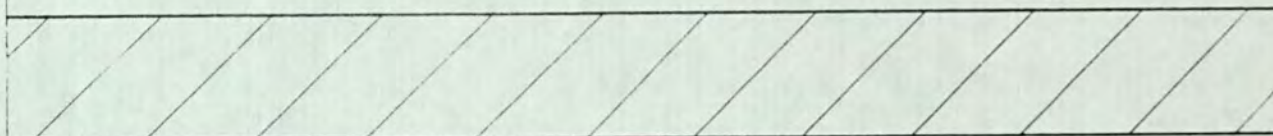


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AND TO	8	AND TO IMMEDIATE OTHER EC POSTS
	9	INFO PRIORITY UKREP BRUSSELS
	10	
	11	MY 2 IPTS: EC INTERNAL MARKET: UK PRESIDENCY INITIATIVE
	12	
	13	1. Following is text of Annex to Prime Minister's message.
	14	BEGINS
	15	INTERNAL MARKET ACTION PROGRAMME
	16	(Numbers in parenthesis are those in the programme submitted by
	17	the Netherlands Presidency to the Internal Market Council on
	18	23 June, Document Number 7724/86).
	19	
	20	(7) COUNTERFEIT GOODS
	21	Regulation introducing measures to prohibit the release of
	22	counterfeit goods for free circulation within the Community.
	23	
	24	(44) FRONT ROLL-OVER PROTECTION STRUCTURES (ROPS) ON NARROW-TRACK
	25	WHEELED AGRICULTURAL OR FORESTRY TRACTORS
///	26	Directive to establish common standards for protection structures
//	27	mounted in front of the driver's seat for certain classes of
/	28	vehicle. It is one of a series of directives relating to the
	29	safety of agricultural and forestry tractors.



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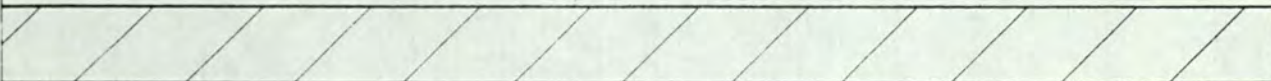
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1	<<<<
2	(69) to (73) THE PHARMACEUTICAL PACKAGE
3	Package of four Directives and a Recommendation to lay down or
4	amend existing procedures governing the marketing and testing of
5	human and veterinary medicines.
6	
7	(74) GOOD LABORATORY PRACTICE
8	Directive specifying measures to ensure that laboratory tests
9	carried out by manufacturers and importers to evaluate the
10	possible risks to human health and the environment of chemical
11	substances they wish to place on the market are performed in
12	accordance with internationally agreed principles.
13	
14	(78) NOISE OF DOZERS AND LOADERS
15	Directive providing for noise limits to be implemented for
16	hydraulic dozers, loaders, excavators and excavator-loaders.
17	The proposal is part of the Community's programme to eliminate
18	technical trade barriers in construction plant and equipment, and
19	is also a part of the Community's programme on the environment.
20	
21	(80) INDUSTRIAL TRUCKS
22	Directive seeks to establish common construction and safety
23	standards throughout the Community for industrial trucks (eg
24	fork lift trucks) and tow tractors.
25	
26	(86) IMPROVEMENT OF DIRECTIVES ON PUBLIC PROCUREMENT (SUPPLIES)
27	Directive modifying the existing Community Directives, including
28	provisions on deadlines, standards, coverage and pre-publication
29	of purchasing programmes.
30	
31	(120) STANDARDISATION IN THE FIELDS OF INFORMATION TECHNOLOGY AND
32	TELECOMMUNICATIONS
33	Directive concerned with the identification of standards for
34	public purchasers in member states when buying IT and

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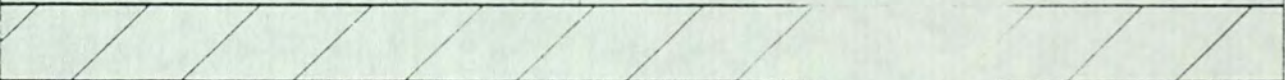
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1	<<<<
2	telecommunications equipment.
3	
4	(127) LEGAL PROTECTION OF MICROCIRCUITS
5	Directive requiring member states to enact national laws
6	protecting original designs for the internal layout of
7	semiconductor integrated circuits against unauthorised copying.
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