

PO-CH/NL/0142
PART E

Part E

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Begins: 16/11/87.
Ends: 10/12/87.



PO -CH /NL/0142



PART E

Chancellor's (Lawson) Papers:

ECONOMIC FINANCE COUNCIL
MEETINGS 1987

NL/0142

-CH

PO

PART E

Disposal Directions: 25 Years

Phillips

25/2/95.

LAWSON SEES GERMAN RESPONSE TO U.S. BUDGET DEAL NRJL
BRUSSELS, NOV 16 - BRITISH CHANCELLOR OF THE EXCHEQUER NIGEL
LAWSON SAID HE BELIEVED WEST GERMANY WOULD RESPOND APPROPRIATELY
IF THE WHITE HOUSE AND CONGRESS AGREED A SUBSTANTIAL CUT IN THE
U.S. BUDGET DEFICIT. ✓

"I BELIEVE THE FEDERAL REPUBLIC (OF GERMANY) IS AS CONCERNED
AS ANYBODY ELSE THAT WE SHOULD ACHIEVE A SATISFACTORY AGREEMENT
(WITHIN THE GROUP OF SEVEN INDUSTRIALISED NATIONS) AND I BELIEVE
THERE WILL BE AN APPROPRIATE CONTRIBUTION BY THE FEDERAL
REPUBLIC," LAWSON TOLD REPORTERS AT A MEETING OF EUROPEAN
COMMUNITY FINANCE MINISTERS HERE. 17

16-NOV-1623 MON177 MONL

CONTINUED ON - NRJL

P

REUTER MONITOR 1547

LAWSON SEES #2 BRUSSELS

NRJL

LAWSON SAID HE THOUGHT SOME CONCERN HAD BEEN EXPRESSED AT
THE MEETING OVER THE RATE OF ECONOMIC GROWTH IN WEST GERMANY,
ADDING HE BELIEVED THIS CONCERN WAS SHARED BY BONN ITSELF.

LAWSON SAID A U.S. BUDGET DEFICIT AGREEMENT WAS A
PRE-REQUISITE FOR ANY G-7 MEETING. HE RESTATED HIS DESIRE FOR A
G-7 MEETING TO BE HELD WITHIN A WEEK OF ANY U.S. BUDGET DEAL,
BUT HE ADDED THAT ALL THE INGREDIENTS TO MAKE SUCH A MEETING
SUCCESSFUL HAD TO BE IN PLACE FIRST.

THERE WERE TWO VITAL INGREDIENTS FOR A SUCCESSFUL MEETING,
HE SAID.

16-NOV-1703 MON232 MONM

CONTINUED FROM - NRIF

CONTINUED ON - NRJM

P

REUTER MONITOR 1547

LAWSON SEES #3 BRUSSELS

NRJM

THERE HAD TO BE AN AGREEMENT ON MEASURES THAT COUNTRIES,
PARTICULARLY WEST GERMANY AND JAPAN, WERE PREPARED TO TAKE IN
ORDER TO MAINTAIN WORLD ECONOMIC GROWTH AT A SATISFACTORY LEVEL.

THE SECOND INGREDIENT WAS THE REESTABLISHMENT OF THE LOUVRE
ACCORD ON STABILIZING EXCHANGE RATES.

"THIS WILL OBVIOUSLY NEED SOME DISCUSSION," LAWSON SAID.

EC FINANCE MINISTERS EARLIER ISSUED A JOINT STATEMENT SAYING
EUROPEAN COUNTRIES WERE DETERMINED TO IMPROVE CONDITIONS FOR
FURTHER INTERNALLY-GENERATED NON-INFLATIONARY GROWTH AND TO
CONTRIBUTE TO THE REDUCTION OF EXTERNAL IMBALANCES.

16-NOV-1709 MON251 MONM

CONTINUED FROM - NRJL

CONTINUED ON - NRJN

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REUTER MONITOR 1547

LAWSON SEES #4 BRUSSELS

NRJN

LAWSON DECLINED TO SAY PRECISELY WHAT COMMUNITY COUNTRIES
WOULD DECIDE TO DO. FOUR EC COUNTRIES - BRITAIN, FRANCE, ITALY
AND WEST GERMANY - ARE MEMBERS OF THE G-7.

LAWSON SAID THERE WAS LESS NEED FOR BRITAIN TO TAKE ACTION
THAN FOR OTHER G-7 COUNTRIES BECAUSE IT HAS THE FASTEST ECONOMIC
GROWTH RATE OF THE GROUP.

"BUT WE WILL PLAY OUR FULL PART," HE ADDED.

LAWSON SAID HE BELIEVED GROWTH WAS LIKELY TO BE SLIGHTLY
LOWER AS A RESULT AS A RESULT OF RECENT MARKET TURMOIL.

HE SAID THERE HAD BEEN LITTLE DISCUSSION AT MONDAY'S MEETING
OF THE ECONOMIC EFFECTS OF THE STOCK MARKET AND DOLLAR CRASH.

16-NOV-1714 MON262 MONM

CONTINUED FROM - NRJM

REUTER

Bill
Sunday No. course of the Grand Station
Campaign of May 1911. This year, certain
pledges were given by the Prime Minister
to subject to consultation with the U.S.
to follow the same. It can be no question
of no one should be come at to force any
new proposals which in any way conflict
with a of these pledges.

5. It was agreed at the informal ECOFIN in September at Nyborg that the Commission should present to the Council in November a set of legislative proposals for capital market liberalisation as part of progress towards completing the internal market by 1992.

6. The Commission has produced texts of three proposals covering liberalising all the remaining capital transactions; combining the Community's two medium term balance of payments support facilities; and extending the 1972 directive on regulations of capital flows to ensure that states have instruments to implement the safeguard clause on exchange controls. In an accompanying paper, three further questions are raised which the Commission suggest also need to be addressed as part of this final liberalisation phase, including measures to harmonise the protection of savers and depositors; the rules of company taxation and tax evasion; and EMS participation.

7. The Presidency, supported by the UK, has indicated that there should be a procedural discussion at ECOFIN, although Ministers would be free to make comments if they wish. The UK and Germany have supported the procedure that the Council should ask the Monetary Committee and the Committee of Central Bank Governors for their opinions. (The Monetary Committee would consider the proposals at their 15 December meeting). However the Commission would like Council working group discussions in tandem. Although we are as anxious as the Commission to make rapid progress, the Monetary Committee has to be given the chance to comment first on the texts; it has so far only discussed the draft Commission paper, but not the draft proposals themselves. But we can agree to Coreper setting up a Council working party.

8. Although we support the proposed full liberalisation of capital movements, the package contains a number of undesirable aspects, in particular the proposal to strengthen the 1972 directive which inter alia would enable the Commission to make recommendations on imposing temporary exchange controls. Any extension of the use of medium term balance of payments support facilities would need careful consideration to avoid weakening the pressure for policy adjustment and possible public expenditure implications if direct member state loans were involved. Fortunately the Commission's ideas on company tax harmonisation and evasion, and participation in the ERM are not put forward as a precondition for the final liberalisation phase. Our interest is to maintain this decoupling. A Commission White Paper on company taxation is expected by the end of the year. On tax evasion in the end the way forward may lie in closer mutual co-operation between the tax authorities in the pursuit of tax fraud. There are no immediate plans for tax working group discussions.

Future Financing

9. This is covered in Brief B.

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(Kl mhd) (XLI - 8) (p. 20)

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management and for a permanent switch from advances to reimbursement of agricultural expenditure. Although the budget management proposals represent a step in the right direction (eg by restricting carry-forwards so as to reinforce the annuality principle of Community expenditure), they do not cover our concerns about limiting commitment appropriations and negative reserves. They also provide for a general budgetary reserve, to which we are opposed.

Procedures/timetable for discussions

12. At working level the main fora for further discussion are the special COREPERs and the High-Level Group on Agriculture. Attention to date has been focussed on budget discipline, the structural funds, the new own resources decision and agricultural reform. Other official-level working groups are looking at the revised draft financial regulation and the structural fund framework regulation.

13. At ministerial level, preparations for Copenhagen have been handled by the Foreign Affairs and Agriculture Councils. Key future dates are:-

16 November and following:	Agriculture Council
22 November:	Prime Minister to meet Chirac
23-24 November:	FAC
25 November:	Prime Minister to meet Schluter
early December:	possible FAC conclave
4-5 December:	Copenhagen European Council.

14. The Agriculture Council has been asked to look at the "specifically agricultural elements" of budget discipline, but will need to work quickly, if there is to be a chance of an agreement at the European Council. The Presidency will want to submit a report on future financing to the European Council. This report will need to be finalised at, or immediately following, the 'conclave' meeting.

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ECOFIN COUNCIL 16 NOVEMBER

International Economic and Monetary Situation

The text below was agreed by EcoFin this morning and will be used by the Presidency in briefing the press.

2. An attempt by the Southern Member States to include a reference to "cohesion" was seen off, as were efforts by the Belgians and Italians to refer explicitly to interest rate policy and tax reform.
3. The Presidency agreed, at the Chancellor's suggestion, to brief the press in addition that Ministers had underlined the need for all countries to resist pressures for protectionism.

"Within the framework of the EEC-EcoFin-Council the European Finance Ministers today discussed the most recent developments on the financial and foreign exchange markets.

Taking note of some improvements during the last days they agreed that a more stable market situation is very important for the further economic development in Europe and worldwide.

For this purpose common and coordinated efforts by all countries are needed.

It is of high importance that the fiscal and monetary cooperation agreed at the Louvre be continued and the commitments undertaken implemented by all parties in full and without delay. Especially urgent are early and appropriate decisions on a further substantial reduction of the US budget deficit for fiscal 1988 and fiscal 1989. A further decline of the dollar would aggravate the disadvantages for the world economy including the US.

2

The European countries are determined to improve the conditions for further internally-generated non-inflationary growth and to contribute to the reduction of external imbalances. The European countries intend to cooperate actively with other countries in decisions to ensure a more stable development of world financial and foreign exchange markets.

The events of the last weeks have emphasised the advantages within the context of the objectives of the European Single Act of setting up a large integrated European market of goods and services and capital. The progressive realisation of these objectives will create in the coming years new opportunities for growth in Europe.

The EMS has played and will play an important role in the coordination of policies between the member countries and in preserving stable relationships between European currencies. All member countries will continue to meet in full their obligations within the existing margins of the EMS. Recent developments have demonstrated that the EMS has been strengthened in appropriate ways by the September decisions of Basle and Nyborg."

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WHICH HAD BEEN PRESENTED AT COREPER LAST WEEK.

5. THE NETHERLANDS MAINTAINED THEIR RESERVE ON ITEM F11 (TREATMENT OF INSURANCE CLAIMS ASSESSORS) BECAUSE OTHERWISE IT WOULD LEAD TO INTERNAL DISTORTION OF COMPETITION. SANTER (LUXEMBOURG) HELD FIRM ON HIS RESERVES FOR ITEMS F13 AND F15 (DEALINGS IN FINANCIAL TRANSACTIONS), AND SUGGESTED THAT THE ORIGINAL 6TH DIRECTIVE AGREEMENT ON THESE POINTS SHOULD BE RE-EXAMINED.

6. MCSHARRY (IRELAND) DEFENDED THE ADDITIONAL 2 YEAR PERIOD FOR THE DEROGATION FOR GREYHOUNDS AND THOROUGHBREDS AS A REASONABLE PERIOD FOR ADJUSTMENT BY THE IRISH INDUSTRY TO THE NEW TAX REGIME.

7. SCHEER (FRANCE) ACCEPTED THE UK'S SUGGESTION FOR THE MINUTES STATEMENT ON ARTICLE 27 DEROGATIONS, BUT MAINTAINED HIS RESERVE ON ITEM F24 (RHINE TRANSPORT). THIS NEEDED TO BE DISCUSSED FURTHER WITH THE RHINE COMMISSION.

8. SIMONSEN AGAIN URGED DELEGATIONS TO ACCEPT THE COMPROMISE AS IT STOOD. TIETMEYER WAS PREPARED TO GIVE UP HIS REQUEST ON TRAVEL AGENTS IF ALL OTHERS WITHDREW THEIR RESERVATIONS. SIMONSEN SUGGESTED THAT COREPER SHOULD RE-EXAMINE ONLY THE UK'S SUGGESTED ADDITION TO ARTICLE 1 (ON SPORTS AND CULTURAL SERVICES) AND THE PROBLEM OF IRISH GREYHOUNDS AND THOROUGHBREDS. THE NETHERLANDS, LUXEMBOURG AND GERMANY INSISTED THAT IF COREPER WERE TO LOOK AT ANY RESERVATIONS THEY SHOULD ALSO EXAMINE THEIRS.

9. SIMONSEN CONCLUDED THAT THE WHOLE DOSSIER SHOULD BE REMITTED TO COREPER TO PREPARE FOR A FURTHER COUNCIL DISCUSSION AT SOME TIME IN THE FUTURE.

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STRASBOURG FOR MRS CHALKER

ECOFIN COUNCIL: 16 NOVEMBER 1987

DRAFT 18TH VAT DIRECTIVE

SUMMARY

1. ALL RESERVES MAINTAINED ON THIS ATTEMPT TO ABOLISH MINOR DEROGATIONS FROM THE 6TH VAT DIRECTIVE, AND SOME NEW REQUESTS ADDED. BACK TO COREPER FOR FURTHER CONSIDERATIONS.

DETAIL

2. SIMONSEN (PRESIDENCY) URGED ALL DELEGATIONS TO ACCEPT THE PRESIDENCY COMPROMISE (DOCUMENT 9586/87) AS A PACKAGE.

3. TIETMEYER (GERMANY) REGRETTED THAT THE COMPROMISE COVERED ONLY INSIGNIFICANT DEROGATIONS AND URGED, IN ADDITION, THE ABOLITION OF ITEM F.26 (EXEMPTION FOR GOLD), AND ITEMS E.15 AND F.27 (TREATMENT OF TRAVEL AGENTS). AT THE VERY LEAST HE HAD TO INSIST ON THE INCLUSION OF F.27.

4. ELLIOTT (UK) CONFIRMED THE UK'S PARLIAMENTARY SCRUTINY RESERVE. THE COMPROMISE WAS UNACCEPTABLE AS IT STOOD. ALL MEMBER STATES SHOULD MAKE EQUAL SACRIFICES AT THE SAME DATE, EG 1 JANUARY 1989 OR ANY OTHER DATE TO BE AGREED. IT WAS PARTICULARLY IMPORTANT TO ABOLISH DEROGATIONS WHICH HAD DISTORTIVE CROSS BORDER EFFECTS, WHICH WAS WHY THE UK INSISTED THAT THE IRISH DEROGATION FOR GREYHOUNDS AND THOROUGHBREDS (ITEM F4) BE ABOLISHED AT THE SAME TIME AS OTHER DEROGATIONS. THE UK'S PROBLEMS WITH SPORT AND CULTURAL SERVICES (ITEMS E4 AND E5) COULD BE RESOLVED BY AN ADDITION TO THE TEXT ALLOWING THE PREVENTION OF DISTORTION WITHIN A MEMBER STATE. OUR OBJECTION TO THE FINAL MINUTES STATEMENT (DEALING WITH THE PROCEDURE FOR ARTICLE 27 DEROGATIONS) COULD BE OVERCOME IF THE TEXT WERE MADE MORE PRECISE AND RELATED SOLELY TO THE FRENCH REQUEST

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VAT DIRECTIVE)

7. COMMISSION UNDERTAKES TO PRODUCE A NEW PROPOSAL AS SOON AS POSSIBLE, BUT WITHOUT GIVING ANY DETAILS.

DRAFT 18TH VAT DIRECTIVE

8. ALL RESERVES MAINTAINED ON THIS ATTEMPT TO ABOLISH MINOR DEROGATIONS FROM THE 6TH VAT DIRECTIVE: SOME NEW REQUESTS ADDED. BACK TO COREPER FOR FURTHER CONSIDERATION.

UCITS INVESTMENT POLICIES DIRECTIVE

9. GERMANY MAKES EXPECTED ORAL STATEMENT OBJECTING TO DEROGATIONS LIMIT FOR MORTGAGE-TYPE BONDS GOING BEYOND 20 PERCENT.

10. NETHERLANDS REGRETS EXCESSIVE DETAIL OF DIRECTIVE.

11. UK PROMISES TO LIFT PARLIAMENTARY SCRUTINY RESERVE AS SOON AS POSSIBLE. PROPOSAL TO BE SUBMITTED TO THE EUROPEAN PARLIAMENT THEREAFTER.

LUNCH DISCUSSION: FUTURE FINANCING

12. UK RECEIVES STRONG SUPPORT FROM DUTCH AND SOME SUPPORT FROM GERMANY ON STRENGTHENING BUDGET DISCIPLINE. FAMILIAR ITALIAN COMPLAINTS ABOUT FOURTH RESOURCE. CHANCELLOR EXTRACTS FROM DELORS A STATEMENT THAT 'EXCEPTIONAL CIRCUMSTANCES' SHOULD BE CONFINED TO FLUCTUATIONS IN VALUE OF ECU.

13. GERMANS AND DUTCH BOTH EXPRESS DOUBTS ABOUT CONTINUING ARRANGEMENTS FOR UK ABATEMENT.

14. FOR DETAILS SEE MY 8 IFTS.

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STRASBOURG FOR MRS CHALKER

ECOFIN COUNCIL : 16 NOVEMBER

SUMMARY

1. THE CHANCELLOR REPRESENTED THE UK.

'A' POINTS (SEE DOC 9592/87)

2. AGREED

INTERNATIONAL ECONOMIC AND MONETARY SITUATION

3. GENERAL AGREEMENT ON NEED FOR ECOFIN TO SEND REASSURING MESSAGE TO MARKETS, URGING INTERNATIONAL FISCAL AND MONETARY COOPERATION, PROMISING A CONTRIBUTION TO THAT PROCESS BY EUROPEAN COUNTRIES AND REAFFIRMING THE OBJECTIVES OF COMPLETING THE INTERNAL MARKET AND STRENGTHENING THE EMS.

LIBERALISATION OF CAPITAL MOVEMENTS

4. DELORS AND COCKFIELD INTRODUCE COMMISSION'S THREE-PROPOSAL PACKAGE TO EXTEND LIBERALISATION TO REMAINING TRANSACTIONS, AMEND THE 1972 DIRECTIVE ON CAPITAL FLOWS, AND COMBINE AND EXTEND EXISTING MEDIUM-TERM SUPPORT MECHANISMS.

5. AGREED THAT MONETARY COMMITTEE AND COMMITTEE OF CENTRAL BANK GOVERNORS REPORT AS SOON AS POSSIBLE AND FOR COUNCIL WORKING GROUP DISCUSSIONS TO START IMMEDIATELY THEREAFTER.

ABOLITION OF FISCAL FRONTIERS

6. COUNCIL CONFIRMS REMIT TO ECONOMIC POLICY COMMITTEE TO CARRY OUT MACRO ECONOMIC-ANALYSIS OF COMMISSION'S PROPOSALS AS RAPIDLY AS POSSIBLE. COUNCIL WILL THEN HAVE A POLITICAL DISCUSSION ON WHOLE PACKAGE. CHANCELLOR MAKES CLEAR UK POSITION ON ZERO RATES.

COMMON SYSTEM OF VAT FOR WORKS OF ART, ANTIQUES AND USED GOODS (7TH

INCREASE IN THE STRUCTURAL FUNDS, BUT COULD NOT SUPPORT DOUBLING THE FUNDS BY 1992. ON DNO THE COUNCIL MUST RETAIN ITS EXISTING POWERS IN RELATION TO THE EUROPEAN PARLIAMENT. AGRICULTURAL STABILISERS POSED DIFFICULT PROBLEMS: THE COMMISSION'S DISCRETION WOULD NEED TO BE LIMITED. HE AGREED THAT RELATIVE PROSPERITY SHOULD PLAY A LARGER ROLE IN FINANCING THE COMMUNITY, BUT CRITICISED THE UK'S ABATEMENT: GERMANY WAS IN A SIMILAR SITUATION, AND THE CORRECTIVE MECHANISM SHOULD BE MADE 'FAIRER'.

5. RUDING (NETHERLANDS) AGREED THE COMMISSION'S EXPENDITURE PLANS WERE TOO HIGH AND STRONGLY SUPPORTED THE CHANCELLOR ON BUDGET DISCIPLINE. INCREASING COMMUNITY DEMANDS UNDERMINED HIS EFFORTS TO ECONOMISE AT HOME. HE OPPOSED DOUBLING THE FUNDS, SUPPORTED STABILISERS, AND MADE A STRONG ATTACK ON THE EXCEPTIONAL CIRCUMSTANCES 'ESCAPE CLAUSE' FOR THE GUIDELINE. HE TOO OBJECTED TO THE UK ABATEMENT AS A PERMANENT FEATURE OF THE COMMUNITY'S FINANCIAL SYSTEM. OTHERS (INCLUDING, IN FUTURE, THE NETHERLANDS) BORE HEAVY BUDGETARY BURDENS TOO.

6. SIMITIS (GREECE), AMATO (ITALY) AND MCSHARRY (IRELAND) SPOKE FOR THE SOUTHERN INTEREST IN THE FUNDS. SIMITIS ALSO WANTED EXEMPTION FOR GREECE FROM THE OPERATION OF STABILISERS, AND AMATO REPEATED ITALIAN OBJECTIONS TO THE PROPOSED FOURTH RESOURCE.

7. IN THE ABSENCE OF BALLADUR, THERE WAS LITTLE COMMENT ON THE FRENCH SIDE.

8. THE CHANCELLOR FOLLOWED UP TWO POINTS. AN 'EXCEPTIONAL CIRCUMSTANCES' CLAUSE HAD MADE A NONSENSE OF THE EXISTING BUDGET DISCIPLINE ARRANGEMENTS FOR AGRICULTURE: IT COULD NOT CONTINUE. ON THE ABATEMENT, HE HOPED THERE WOULD BE NO GOING BACK ON THE FONTAINEBLEAU AGREEMENT. THE UK WAS STILL THE SECOND LARGEST NET CONTRIBUTOR, AND THERE HAD TO BE A LIMIT ON THAT CONTRIBUTION. IT ILL-BECAME THE NET BENEFICIARIES TO CRITICISE THE UK FOR ITS POSITION.

9. DELORS REPLIED AT LENGTH, STRESSING THAT THE BUDGET DISCIPLINE AGREED AT FONTAINEBLEAU HAD PROVED INADEQUATE AND HAD TO BE STRENGTHENED EG BY THE INTRODUCTION OF ANNUAL SUBCEILINGS FOR OWN RESOURCES, AND THAT THE COMMUNITY NEVERTHELESS HAD TO PROVIDE THE NECESSARY MEANS TO ACHIEVE IN THE NEXT 5 YEARS THE FUNDAMENTAL OBJECTIVES SET OUT IN THE SINGLE EUROPEAN ACT. THESE INCLUDED DOUBLING THE FUNDS, INCREASING RESEARCH COOPERATION AND STRENGTHENING THE EMS AS WELL AS COMPLETING THE INTERNAL MARKET.

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STRASBOURG FOR MRS CHALKER

ECOFIN COUNCIL: 16 NOVEMBER 1987

FUTURE FINANCING

SUMMARY

1. LUNCHTIME DISCUSSION. UK RECEIVES STRONG SUPPORT FROM DUTCH AND SOME SUPPORT FROM GERMANY ON STRENGTHENING BUDGET DISCIPLINE. FAMILIAR ITALIAN COMPLAINTS ABOUT FOURTH RESOURCE, CHANCELLOR EXTRACTS FROM DELORS A STATEMENT THAT 'EXCEPTIONAL CIRCUMSTANCES' SHOULD BE CONFINED TO FLUCTUATIONS IN VALUE OF ECU.

2. GERMANS AND DUTCH BOTH EXPRESS DOUBTS ABOUT CONTINUING ARRANGEMENTS FOR UK ABATEMENT.

DETAIL

3. OVER LUNCH THE CHANCELLOR OF THE EXCHEQUER SAID THAT IF AGREEMENT WAS TO BE REACHED AT COPENHAGEN, DIFFICULT DECISIONS WOULD NEED TO BE TAKEN, PARTICULARLY ON STRENGTHENING BUDGET DISCIPLINE OVER AGRICULTURE. THERE WERE FOUR PRINCIPAL NEEDS:

- AN ABSOLUTE AND BINDING AGRICULTURAL GUIDELINE
- AGREEMENT ON THE SUBSTANCE AND NUMBERS FOR STABILISERS IN ALL REGIMES
- IMPROVED MONITORING AND CONTROL OF THE FEOGA BUDGET
- THE REDUCTION, CONTROL AND DEPRECIATION OF STOCKS.

FOR DNO SPENDING AS WELL TIGHTER CONTROL WAS NEEDED AND NEGATIVE RESERVES SHOULD BE LIMITED. THE COMMUNITY COULD DO SOMETHING HERE TO HELP THE CURRENT WORLD PROBLEMS AND TO DELAY COULD DAMAGE. BUT HARD DECISIONS WERE NEEDED AND COULD NOT BE FUDGED.

4. STOLTENBERG (GERMANY) AGREED THAT AN EARLY DECISION WAS DESIRABLE, BUT THE LEVEL OF OWN RESOURCES CEILING PROPOSED BY THE COMMISSION WAS TOO HIGH. GERMANY WAS PREPARED TO SUPPORT A BIG

AGRICULTURE HAD TO BE CONTROLLED, BUT NOT DESTROYED. STABILISERS WERE THE RIGHT APPROACH, AND MUST APPLY TO ALL PRODUCTS THOUGH HE MADE ANOTHER IMPASSIONED DEFENCE OF THE SMALL FARMER: HE WOULD RATHER RESIGN THAN LET THEM DOWN. IN RESPONSE TO THE CHANCELLOR, HE SAID THAT IN HIS VIEW 'EXCEPTIONAL CIRCUMSTANCES' MUST BE LIMITED TO FLUCTUATIONS IN THE VALUE OF THE ECU. HE RIGOROUSLY DEFENDED THE COMMISSION'S PROPOSAL ON OWN RESOURCES, DISMISSING CRITICISM BY THE EUROPEAN PARLIAMENT, THE DUTCH (WHO PROFITTED ENORMOUSLY FROM ROTTERDAM), AND THE ITALIANS, WHO HAD ONLY JUST ADMITTED THAT THE BLACK ECONOMY EXISTED, AND HAD TO MAKE UP THEIR MINDS WHETHER THEY WERE IN THE FIRST OR THIRD DIVISION ECONOMICALLY: IF THE FIRST, THEY HAD TO PAY UP. HE ALSO DEFENDED THE ABATEMENT PROPOSAL, WITH ITS 'CLEF VERTE', AS THE MOST FAIR. SUCCESS AT COPENHAGEN DEPENDED ON ACCEPTING STRICTER BUDGETARY CONTROL OF AGRICULTURE AND THE NEED FOR INCREASED RESOURCES. WITHOUT THESE THERE WOULD BE FAILURE, AND HE WOULD HAVE TO ANNOUNCE THAT THE COMMUNITY HAD BETRAYED THE SINGLE ACT.

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STRASBOURG FOR MRS CHALKER

ECOFIN COUNCIL: 16 NOVEMBER 1987

COMMON SYSTEM OF VAT FOR WORKS OF ART, ANTIQUES, COLLECTORS ITEMS
AND USED GOODS

SUMMARY

1. COMMISSION UNDERTAKES TO PRODUCE A NEW PROPOSAL AS SOON AS
POSSIBLE, BUT WITHOUT GIVING ANY DETAILS.

DETAIL

2. EYSKENS (BELGIUM) REGRETTED WITHDRAWAL OF THE DRAFT 7TH VAT
DIRECTIVE SINCE BELGIUM NOW FOUND ITSELF IN AN INTOLERABLE POSITION
WHERE DISTORTIONS OF COMPETITION BETWEEN MEMBER STATES MEANT THAT IN
THE FIELD OF WORKS OF ART AND ANTIQUES BELGIAN TRADERS WERE BEING
FORCED OUT OF BUSINESS. THE COMMISSION SHOULD PRESENT A NEW
PROPOSAL AS SOON AS POSSIBLE WHICH COULD PERHAPS DISTINGUISH BETWEEN
GOODS WHOSE VALUE INCREASES OVER TIME (EG WORKS OF ART) AND GOODS
WHOSE VALUE FALLS. IF NO SOLUTION WAS POSSIBLE FOR THE LATTER GROUP
THE COMMISSION SHOULD CONCENTRATE ON THE FORMER. THE NETHERLANDS
SUPPORTED THE CALL FOR A NEW PROPOSAL.

3. LORD COCKFIELD (COMMISSION) REPEATED THE REASONS WHY THE
COMMISSION HAD WITHDRAWN THE DRAFT 7TH DIRECTIVE (PARTIAL SOLUTION,
FOR A TRANSITIONAL PERIOD, WHICH DID NOT DEAL WITH CROSS BORDER
TRANSACTIONS) AND CONFIRMED THAT THEY WERE GIVING SERIOUS THOUGHT TO
A NEW PROPOSAL WHICH THEY WOULD PRESENT AS SOON AS POSSIBLE.

4. SIMONSEN (PRESIDENCY) TOOK NOTE, AND STRESSED THE URGENT NEED
FOR A NEW PROPOSAL.

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STATES TO RE-INTRODUCE TEMPORARY EXCHANGE CONTROLS IN EMERGENCIES MORE APPROPRIATE THAN RELIANCE ON ARTICLES 108 AND 109 OF THE TREATY, WHICH CATERED FOR INSTANCES WHERE THERE WAS 'A DEEP RIFT' IN THE CAPITAL MARKETS.

6. AS REGARDS THE SITUATION WHERE THE COMMUNITY ITSELF WAS IN DIFFICULTY, THE COMMISSION HAD CONSIDERED THERE SHOULD BE LEGAL INSTRUMENT AVAILABLE TO STEM EXCESSIVE INFLOWS AND OUTFLOWS OF CAPITAL, BUT THAT THE EXISTING 1972 DIRECTIVE, SUITABLY AMENDED, WAS THE OBVIOUS CANDIDATE.

7. THE COMMISSION'S PROPOSAL TO COMBINE EXISTING MEDIUM TERM SUPPORT FACILITIES AND EXTEND THEM TO COVER ASSISTANCE FOR MEMBER STATES LIBERALISING CAPTIAL MOVEMENTS WAS TOUCHED ON ONLY IN PASSING. ON THE EMS, DELORS POINTED BRIEFLY TO THE ABSENCE OF STERLING FROM THE ERM BUT NOTED THAT STERLING HAD FOR SOME TIME REMAINED WITHIN A NARROW MARGIN AGAINST CURRENCIES PARTICIPATING IN THE MECHANISM.

8. LORD COCKFIELD (COMMISSION) DREW ATTENTION TO THE INCREASED LIKELIHOOD OF FISCAL FRAUD IN THE ABSENCE OF EXCHANGE CONTROLS. THE COMMISSION HAD PUT FORWARD THREE OPTIONS IN THEIR COMMUNICATION TO DEAL WITH THIS PROBLEM: A GENERALISED WITHHOLDING TAX ON BOND AND BANK INTEREST FOR RESIDENTS AND NON RESIDENTS ALIKE: AN OBLIGATION ON ALL BANKS TO DECLARE INTEREST INCOME TO THE FISCAL AUTHORITIES: AND STRONGER COOPERATION BETWEEN THOSE AUTHORITIES WERE NOT 'MUTUALLY EXCLUSIVE'. IF A WITHHOLDING TAX WAS TO BE INTRODUCED, THE RATE WOULD NEED TO BE SUFFICIENTLY LOW TO AVOID CAPITAL FLIGHT FROM THE COMMUNITY. THE COMMISSION WOULD ONLY DECIDE WHETHER NEW LEGISLATIVE PROPOSALS WERE NEEDED IN THIS AREA WHEN MINISTERS HAD CONSIDERED HOW REAL A PROBLEM THEY JUDGED FISCAL FRAUD TO BE.

9. NO MINISTER COMMENTED.

10. CIAMPI (CHAIRMAN OF THE COMMITTEE OF CENTRAL BANK GOVERNORS) TO STATED THAT HIS COLLEAGUES HAD ALREADY HAD A PRELIMINARY DISCUSSION ON THE PROPOSALS: HAD ASKED AN INTERNAL WORKING PARTY TO STUDY THEM: AND WOULD BE WORKING ON THE PACKAGE AT THEIR NEXT FEW MEETINGS.

11. LITTLER (CHAIRMAN OF THE MONETARY COMMITTEE) IN TURN INDICATED THAT THE MONETARY COMMITTEE HAD BRIEFLY DISCUSSED THE PROPOSALS ON 30 OCTOBER. THEY WOULD BE PRODUCING AN INTERIM REPORT IN DECEMBER, AND A FINAL REPORT EARLY IN THE NEW YEAR.

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STRASBOURG FOR MRS CHALKER

ECOFIN COUNCIL: 16 NOVEMBER

LIBERALISATION OF CAPITAL MOVEMENTS (CREATION OF A EUROPEAN FINANCIAL AREA)

SUMMARY

1. DELORS AND COCKFIELD INTRODUCE COMMISSION'S THREE-PROPOSAL PACKAGE TO EXTEND LIBERALISATION TO REMAINING TRANSACTIONS, AMEND THE 1972 DIRECTIVE ON CAPITAL FLOWS, AND COMBINE AND EXTEND EXISTING MEDIUM-TERM SUPPORT MECHANISMS.

2. AGREED THAT MONETARY COMMITTEE AND COMMITTEE OF CENTRAL BANK GOVERNORS REPORT AS SOON AS POSSIBLE AND FOR COUNCIL WORKING GROUP DISCUSSIONS TO START IMMEDIATELY THERAFTER.

DETAIL

3. DELORS (COMMISSION) RECALLED THAT THE COMMISSION'S COMMUNICATION OF MAY 1986 ON CAPITAL LIBERALISATION HAD ENVISAGED THAT THE COMMISSION WOULD SUBMIT PROPOSALS FOR THE COMPLETE LIBERALISATION OF ALL TRANSACTION IN 1987. DESPITE RECENT STOCK MARKET DEVELOPMENTS, THE COMMISSION HAD CONSIDERED THE ABOVE TIMETABLE SHOULD BE ADHERED TO. IT WAS ESSENTIAL TO KEEP UP THE MOMENTUM TOWARDS COMPLETING THE INTERNAL MARKET.

4. THERE WERE FOUR DIFFICULT ISSUES TO ADDRESS IN THIS FINAL STAGE OF CAPITAL LIBERALISATION:- THE NEEDS OF INDIVIDUAL COUNTRIES FINDING THEMSELVES IN TEMPORARY DIFFICULTY AS A RESULT: THE NEEDS OF THE COMMUNITY AT LARGE IN THE SAME SITUATION: AND THE LINK BETWEEN CAPITAL LIBERALISATION AND BOTH EXCHANGE RATE AND FISCAL POLICIES.

5. IN THE CASE OF INDIVIDUAL COUNTRIES IN DIFFICULTY, THE COMMISSION HAD CONSIDERED A SAFEGUARD CLAUSE PERMITTING MEMBER

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12. DELORS STRESSED THE IMPORTANCE WHICH THE BRUSSELS EUROPEAN COUNCIL HAD ATTACHED TO CAPITAL MOVEMENTS LIBERALISATION IN THE CONTEXT OF COMPLETING THE INTERNAL MARKET: AND HE EXPRESSED THE HOPE THEREFORE THAT COUNCIL WORK ON THE PACKAGE COULD BE COMPLETED DURING THE GERMAN PRESIDENCY.

13. SIMONSEN CONCLUDED THAT THE CONCLUSIONS FROM THE INFORMAL ECOFIN IN SEPTEMBER BE CONFIRMED IE THAT THE MONETARY COMMITTEE AND COMMITTEE OF CENTRAL BANK GOVERNORS BE ASKED TO REPORT ON THE PROPOSALS AS SOON AS POSSIBLE: AND THAT COUNCIL WORKING PARTY DISCUSSIONS SHOULD START IMMEDIATELY THEREAFTER. THIS APPROACH WAS UNANIMOUSLY ACCEPTED.

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FUTURE.

7. SIMONSEN (PRESIDENCY) WAS AWARE OF THIS: AS SOON AS OUR RESERVE WAS LIFTED AND IN LINE WITH THE COOPERATION PROCEDURE, THE COMMON POSITION - HAVING ALREADY BEEN REACHED BY QM - WOULD BE SUBMITTED TO THE EUROPEAN PARLIAMENT FOR A SECOND READING.

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STRASBOURG FOR MRS CHALKER

ECOFIN COUNCIL: 16 NOVEMBER 1987

UCITS INVESTMENT POLICIES DIRECTIVE

SUMMARY

1. GERMANY MAKES EXPECTED ORAL STATEMENT OBJECTING TO DEROGATION LIMIT FOR MORTGAGE-TYPE BONDS GOING BEYOND 20 PERCENT.

2. NETHERLANDS REGRETS EXCESSIVE DETAIL OF DIRECTIVE.

3. UK PROMISES TO LIFT PARLIAMENTARY SCRUTINY RESERVE AS SOON AS POSSIBLE: PROPOSAL TO BE SUBMITTED TO THE EUROPEAN PARLIAMENT THEREAFTER.

DETAIL

4. AS EXPECTED, TIETMEYER (GERMANY) WEIGHED IN WITH A STATEMENT REGRETTING THE 25 PERCENT DEROGATION LIMIT FOR MORTGAGE-TYPE SECURITIES AGREED BY QM AT COREPER. GERMANY WAS READY TO INCREASE THE ALLOWABLE LIMITS FOR CERTAIN SECURITIES AND GENERALLY TO PERMIT UCITS TO HAVE A FLEXIBLE INVESTMENT POLICY. BUT THE LIMIT ON THIS PARTICULAR TYPE OF SECURITY SHOULD BE NO MORE THAN 20 PERCENT: SUCH AN INCREASE ALREADY WOULD LEAD TO A CONCENTRATION OF RISK ON INDIVIDUAL ISSUERS.

5. THE DUTCH DELEGATE THEN CRITICISED THE AMENDMENT DIRECTIVE AS BEING TOO DETAILED. IT HAD BEEN DESIGNED TO SOLVE A PARTICULAR PROBLEM BUT THE RESULT WAS UNSATISFACTORY: PARAGRAPH 4 WOULD HAVE BEEN SUFFICIENT ON ITS OWN. HIS COUNTRY WAS THEREFORE AGAINST THIS MODIFICATION TO THE MAIN UCITS DIRECTIVE.

6. ELLIOTT (UK) CONFIRMED THAT THE UK STILL MAINTAINED A PARLIAMENTARY SCRUTINY RESERVE WHICH WE HOPED TO LIFT IN THE NEAR

PAGE 1
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4. THE CHANCELLOR* OF THE EXCHEQUER ARGUED THAT THE CONCLUSIONS OF THE INFORMAL SEPTEMBER ECOFIN COUNCIL SHOULD BE CONFIRMED. WHEN THE ECONOMIC POLICY COMMITTEE (EPC) HAD GIVEN ITS MACROECONOMIC ANALYSIS THE COUNCIL COULD EXAMINE THE SUBSTANCE OF THE PROPOSALS. TO BEGIN WORK NOW ON THE RATE CONVERGENCE PROPOSALS WOULD BE POINTLESS BECAUSE NO VIEW COULD BE TAKEN UNTIL THE COUNCIL HAD DECIDED ON THE MATTERS OF PRINCIPLE. SETTING INTERMEDIATE DEADLINES AT THIS STAGE WOULD NOT BE POSSIBLE.

5. THE CHANCELLOR REMINDED THE COUNCIL OF THE PLEDGES WHICH THE PRIME MINISTER AND HE HAD MADE ON ZERO RATES DURING THE ELECTION CAMPAIGN. THERE COULD BE NO QUESTION OF THE UNITED KINGDOM PERMITTING ANY NEW PROPOSALS WHICH CONFLICTED WITH THOSE ~~PROPOSALS~~ *PLEDGES* TO COME INTO FORCE.

6. AMATO (ITALY) BROADLY SUPPORTED THE COMMISSION'S OBJECTIVES BUT STRESSED THE NEED FOR DETAILED STUDY. SOLCHAGA (SPAIN) AGREED, ADDING THAT THE EPC ANALYSIS SHOULD INCLUDE A CASE BY CASE ANALYSIS OF THE EFFECTS OF THE PACKAGE IN EACH MEMBER STATE. IF EXCISE DUTY GOODS COULD BE EXCLUDED FROM THE RPI SPAIN MIGHT BE ABLE TO BE MORE FLEXIBLE. HE CONSIDERED IT WAS CONTRARY TO THE SPIRIT OF THE DISCUSSIONS FOR ANY MEMBER STATE TO TAKE A POSITION FROM THE OUTSET TO REJECT THE PROPOSALS EITHER IN WHOLE OR IN PART, BECAUSE OF POLITICAL COMMITMENTS.

7. SANTER (LUXEMBOURG) WAS NOT CONVINCED THAT TAX APPROXIMATION WAS A PRIOR CONDITION FOR THE CREATION OF THE INTERNAL MARKET. A VAT RANGE OF 5 PERCENTAGE POINTS WOULD ACTUALLY DESTROY THE NEUTRALITY OF THE VAT SYSTEM AND INCREASE DISTORTIONS. EPC SHOULD CARRY OUT A THOROUGH EVALUATION OF THE PROPOSALS BEFORE THE COUNCIL TOOK ANY VIEW ON THE SUBSTANCE.

8. EYSKENS (BELGIUM) SUPPORTED THE COMMISSION'S OVERALL APPROACH. BELGIUM WOULD LOSE VAT REVENUE BUT WOULD GAIN FROM EXCISE DUTY INCREASES, THUS ALLOWING A REDUCTION IN INCOME TAX. THE CONVERGENCE PROPOSAL WAS HELPFUL IN ALLOWING A GRADUAL MOVEMENT TOWARDS APPROXIMATED RATES.

9. STOLTENBERG (GERMANY) PRESSED FOR A FURTHER DISCUSSION AT THE DECEMBER ECOFIN COUNCIL. THE PRESIDENCY WOULD PRESS AHEAD WITH CONSIDERATION OF THE PROPOSALS TO FORM VIEWS FOR POLITICAL DECISIONS AT A LATER STAGE.

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*1 trust the James
(hope) will see to the
the agenda on the
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STRASBOURG FOR MRS CHALKER
ECOFIN COUNCIL : 16 NOVEMBER 1987
ABOLITION OF FISCAL FRONTIERS

SUMMARY

1. COUNCIL CONFIRMS REMIT TO ECONOMIC POLICY COMMITTEE TO CARRY OUT MACRO-ECONOMIC ANALYSIS OF COMMISSION'S PROPOSALS AS RAPIDLY AS POSSIBLE. COUNCIL WILL THEN HAVE A POLITICAL DISCUSSION ON THE WHOLE PACKAGE. CHANCELLOR MAKES CLEAR UK POSITION ON ZERO RATES.

DETAIL

2. LORD COCKFIELD (COMMISSION) PRESENTED THE COMMISSION'S PACKAGE OF TAX APPROXIMATION PROPOSALS IN FAMILIAR TERMS, STRESSING THAT THEY WERE A NECESSARY ELEMENT IN THE COMPLETION OF THE INTERNAL MARKET. THE COMMISSION DID NOT UNDERESTIMATE THE DIFFICULTIES INVOLVED, BUT WAS CONVINCED THE OBJECTIVES WERE ATTAINABLE IF MEMBER STATES DISPLAYED SUFFICIENT POLITICAL WILL. DEROGATIONS MIGHT BE NECESSARY FOR SOME MEMBER STATES AND THE COMMISSION WOULD PLAY A CONSTRUCTIVE ROLE PROVIDED DEROGATIONS DID NOT DAMAGE THE INTEGRITY OF THE INTERNAL MARKET. THE ACID TEST OF MEMBER STATES' COMMITMENT TO ABOLITION OF FISCAL FRONTIERS WOULD BE THEIR ATTITUDE TO THE VAT AND EXCISE DUTY RATES CONVERGENCE PROPOSAL WHICH PROVIDED THE FRAMEWORK FOR ATTAINING THE FINAL OBJECTIVES OF THE FISCAL PACKAGE BY THE END OF 1992. THE MORE TIME THE COUNCIL SPENT DEBATING THE PROPOSALS, THE LESS TIME WOULD BE AVAILABLE FOR ADJUSTING NATIONAL TAX SYSTEMS.

3. DE KNIONG (NETHERLANDS) TOOK A POSITIVE VIEW OF THE COMMISSION'S PROPOSALS BUT ARGUED THAT THE PROPOSED RANGE FOR VAT RATES WAS TOO BROAD. THE CLEARING SYSTEM PROPOSALS WERE A GREAT IMPROVEMENT, BUT WERE STILL NOT PERFECT. HE WELCOMED THE PROPOSED HIGH RATE OF EXCISE DUTY FOR CIGARETTES AND ARGUED THAT HIGH RATES OF DUTY WERE ALSO NEEDED ON ALCOHOLIC DRINKS TO DISCOURAGE CONSUMPTION.

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10. ENNGAARD (DENMARK), MCSHANNY (IRELAND), SIMITIS (GREECE) AND MATHIAS (PORTUGAL) URGED THE NEED FOR SPECIAL RECOGNITION OF THE PARTICULAR FINANCIAL PROBLEMS WHICH WOULD ARISE IF THE PACKAGE WERE ADOPTED IN ITS CURRENT FORM.

11. SIMONSEN (PRESIDENCY) TRIED TO CONCLUDE THAT EPC SHOULD BE ASKED TO COMPLETE THEIR ANALYSIS OF THE PROPOSALS AS RAPIDLY AS POSSIBLE AND THEN MINISTERS WOULD HOLD A POLITICAL DISCUSSION TO DETERMINE FUTURE PROCEDURES. BUT LORD COCKFIELD INTERVENED TO REPEAT HIS IDEAS FOR A FIRM TIMETABLE TO BE SET BY THE COUNCIL TO ADOPT ALL PROPOSALS BY 31 DECEMBER 1987 (DETAILS IN MY TELNO 3753). HE JUSTIFIED THE FINAL DEADLINE ON THE GROUNDS THAT THE COMMISSION WAS OBLIGED TO PRODUCE A REPORT BY THEN ON WORK TOWARDS COMPLETING THE INTERNAL MARKET. THIS REPORT WOULD BE CRUCIAL TO THE SUCCESS OF MEETING THE 31 DECEMBER 1992 DEADLINE.

12. TIETMEYER (GERMANY) ASSUMED THE EPC REPORT WOULD BE AVAILABLE BY THE DECEMBER ECOFIN SO THAT POLICY DISCUSSIONS COULD BEGIN. A REALISTIC TIMETABLE COULD NOT BE SETTLED NOW, AND THE COUNCIL WOULD NEED TIME TO EXAMINE THE PROPOSALS BEFORE COMMITTING ITSELF.

13. ELLIOTT (UK) STRESSED THE IMPORTANCE OF A THOROUGH ANALYSIS BY EPC IF IT WAS TO BE OF VALUE TO THE COUNCIL. ONLY THEN WOULD A FURTHER COUNCIL DISCUSSION BE APPROPRIATE. SANTER (LUXEMBOURG) AGREED. INDIRECT TAXATION WAS AN INTEGRAL PART OF ECONOMIC AND SOCIAL POLICIES, NOT JUST A QUESTION OF BUDGET ARITHMETIC. LORD COCKFIELD SUGGESTED THAT COREPER COULD WORK IN PARALLEL WITH EPC TO DRAW UP A DRAFT TIMETABLE SO THAT THE DECEMBER COUNCIL COULD EXAMINE IT AT THE SAME TIME AS THE EPC ANALYSIS.

14. SIMONSEN CONCLUDED THAT IT WAS ESSENTIAL THAT EPC PRODUCE ITS ANALYSIS AS RAPIDLY AS POSSIBLE TO ENABLE A POLITICAL DISCUSSION TO TAKE PLACE ON A FIRM BASIS. DECEMBER MIGHT BE A POSSIBILITY, BUT COULD NOT BE GUARANTEED. DISCUSSION OF A TIMETABLE WOULD TAKE PLACE DURING THE POLITICAL DISCUSSION.

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CHANCELLOR - INTERVIEW ON EEC VAT PLANS

Transcript from: BBC Radio 4, PM , 16 November 1987

PRESENTER: In Brussels Finance Ministers from the 12 European Community member countries have been hearing of plans to extend the range of goods covered by VAT and to introduce 2 Communitywide rates, a lower one of between 4 and 9% and a higher one of between 14 and 19%. Britain was represented by the Chancellor, Mr Nigel Lawson, who told our correspondent Stephen Jessel of his reaction to proposals to extend the range of goods and services covered by VAT.

CHANCELLOR: During the general election campaign earlier this year a number of pledges were made about the British zero rates of VAT. There'll be no change from zero rating food for example and various other things. And what I said today was that we would not permit any change in Community law which in any way cut across those pledges. Those pledges will be honoured.

INTERVIEWER: (STEPHEN JESSELS) One of the suggestions put forward by the Commission is that there should be 2 bands of VAT, the zero rating should be done away with, there should be a lower band and a higher band. Is your objection to the principle of 2 bands or is it just to the removal of the zero rating?

CHANCELLOR: We're prepared to consider the 2 band proposal very carefully. We're prepared to consider I can't tell you that we will necessarily agree. But we will study very carefully and we're prepared to consider any proposals which come from the Commission provided that they do not cut across pledges that we have given.

INTERVIEWER: There is a case before the European Court in Luxemburge about zero rating as applied for example to the building of new houses. Could it be that any decision you would want to take would be pre-empted by a ruling by the European Court?

CHANCELLOR: No, and it's important to distinguish between two

different things. There is the existing Community law where of course we are subject to any decisions that the European Court may make, we have to abide by them. And there are certain things which are now before the European Court and we are contesting them vigorously and I trust that we shall win. But as I say, we have to abide by the decisions of the European Court. But what was at issue today was something quite different. It was an extension of the Community law, a new Community law, and that, as I say, that is something which requires unanimous agreement and we will not agree to anything which would in any way be in conflict with the pledges that we've given.

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Spence

ECOFIN COUNCIL 16 NOVEMBER

International Economic and Monetary Situation

The text below was agreed by EcoFin this morning and will be used by the Presidency in briefing the press.

2. An attempt by the Southern Member States to include a reference to "cohesion" was seen off, as were efforts by the Belgians and Italians to refer explicitly to interest rate policy and tax reform.
3. The Presidency agreed, at the Chancellor's suggestion, to brief the press in addition that Ministers had underlined the need for all countries to resist pressures for protectionism.

"Within the framework of the EEC-EcoFin-Council the European Finance Ministers today discussed the most recent developments on the financial and foreign exchange markets.

Taking note of some improvements during the last days they agreed that a more stable market situation is very important for the further economic development in Europe and worldwide.

For this purpose common and coordinated efforts by all countries are needed.

It is of high importance that the fiscal and monetary cooperation agreed at the Louvre be continued and the commitments undertaken implemented by all parties in full and without delay. Especially urgent are early and appropriate decisions on a further substantial reduction of the US budget deficit for fiscal 1988 and fiscal 1989. A further decline of the dollar would aggravate the disadvantages for the world economy including the US.

2

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The European countries are determined to improve the conditions for further internally-generated non-inflationary growth and to contribute to the reduction of external imbalances. The European countries intend to cooperate actively with other countries in decisions to ensure a more stable development of world financial and foreign exchange markets.

The events of the last weeks have emphasised the advantages within the context of the objectives of the European Single Act of setting up a large integrated European market of goods and services and capital. The progressive realisation of these objectives will create in the coming years new opportunities for growth in Europe.

The EMS has played and will play an important role in the coordination of policies between the member countries and in preserving stable relationships between European currencies. All member countries will continue to meet in full their obligations within the existing margins of the EMS. Recent developments have demonstrated that the EMS has been strengthened in appropriate ways by the September decisions of Basle and Nyborg."

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STRASBOURG FOR MRS CHALKER.

MY TELNO 3830: ABOLITION OF FISCAL FRONTIERS.

1. THE FOLLOWING CORRECTIONS SHOULD BE MADE TO TUR:

(I) PARAGRAPH 5: LINE 4, LAST WORD SHOULD READ ''PLEDGES''.

(II) PARAGRAPH 11: LINE 6, THE DATE SHOULD BE ''31 DECEMBER 1988''.

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MR ALEX ALLAN

From: Sir G.Littler
Date: 18 November 1987

c.c. Paymaster General
Sir P.Middleton
Mr Edwards
Mr Scholar
Mr Kelly
Mr Mortimer
Miss Sinclair
Mr Parkinson

CABINET 19 NOVEMBER: REPORT ON ECOFIN

The Chancellor may like to draw on the following:

- generally a low-key meeting, satisfactory for us;
- on international economic and monetary situation the discussion prompted by the Belgians was kept on sensible lines reflected in an agreed press briefing line - helped by prior concertation between Stoltenberg, Balladur and myself: (the three of us had a useful private trilateral talk and will be following this up - mainly aimed at getting appropriate action from FRG);
- Delors formally introduced the Commission proposals on liberalisation of capital movements - no discussion and remitted to Monetary and Bank Governors' Committees where we shall find support against the one or two unwelcome features proposed by the Commission;
- Cockfield introduced his indirect tax approximation proposals - largely a procedural discussion, inviting Economic Policy Committee to study and report, and agreeing to a future restricted session for a political discussion (this may get delayed, which suits us); I took the opportunity again to make clear our position on zero rates;

*text in
attached
telegram.*

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- in informal lunch discussion of future financing which I requested I was able to restate our insistence on adequate budgetary discipline and especially agriculture arrangements: no surprises from others: Dutch gave good support, arguing particularly the dangers of 'exceptional circumstances' provision (which Delors appeared to want to confine to currency movements); Italians complained of 'fourth resource' and were crisply told by Delors to make up their mind whether they were 1st or 3rd division;
- on minor items two VAT directives were put back for further negotiation; a directive on Unit Trust investment policies for mortgage-type bonds (which we support) was agreed.



(Geoffrey Littler)



FROM: J M G TAYLOR
DATE: 18 November 1987

MR KNOX - CUSTOMS AND EXCISE

cc PS/Paymaster General
Sir G Littler
Mr Byatt
Mr A J C Edwards
Mr Bostock - UKREP

ABOLITION OF FISCAL FRONTIERS

The Chancellor has seen UKREP Telno 3830 of 16 November.

2. He has commented that he trusts the Danes (and EPC) will see to it that this is not on the December ECOFIN agenda.

A handwritten signature in black ink, appearing to be "JMG".

J M G TAYLOR

FROM: M PARKINSON
DATE: 18 November 1987

- 1. SIR GEOFFREY LITTLER
- 2. CHANCELLOR

cc: PS/Paymaster General
 Mr Edwards
 Mr Scholar
 Mr C Kelly
 Miss Sinclair
 Mr Mortimer
 Mr Dyer
 Mr Knox (C & E)

Ch / content?
18/11
Appl to Taylor
or Jones
man point
(we have a sum).
OK.

ECOFIN

I attach for approval a draft arranged Parliamentary Question and Answer reporting on Monday's ECOFIN.

2. Perhaps Mr Taylor could let Parliamentary Section know if you are content with it, so that they can make the necessary arrangements.

Maria Parkinson

M PARKINSON

M.P.

ECOFIN ARRANGED PQ

.....To ask the Chancellor of the Exchequer if he will make a statement on the outcome of the latest meeting of the European Community's Economic and Finance Council.

DRAFT REPLY BY THE CHANCELLOR OF THE EXCHEQUER

The ECOFIN Council met in Brussels on 16 November. I represented the UK.

Recent developments in the financial and foreign exchange markets were discussed. The Council considered it of high importance that the fiscal and monetary cooperation agreed at the Louvre should be continued. European countries were determined to improve the conditions for further internally-generated non-inflationary growth, and they intend to cooperate actively with other countries to ensure a more stable development of world financial and foreign exchange markets. Early and appropriate decisions on a further substantial reduction of the US budget deficit were considered to be especially urgent.

The Council agreed that the Monetary Committee and Committee of Central Bank Governors should be asked to study and report as soon as possible on the Commission's proposals on liberalisation of capital movements and related matters.

The Council confirmed that the Economic Policy Committee should carry out rapidly an economic analysis of the Commission's proposals for the abolition of fiscal frontiers prior to further consideration of the proposals by the Council. *I made it clear that the United Kingdom would not permit it to fall on proposals made in any way conflict with pledges already given concerning*
 The Commission undertook to produce a new proposal for a common system of VAT for works of art, antiques and other used goods. *As UK's 3% no rates of VAT.*
 It was agreed that further preparation should be undertaken for a future Council discussion of the draft eighteenth VAT directive abolishing certain derogations contained in the sixth VAT directive.

The Council agreed that a directive on investment by unit trusts in mortgage-type bonds should be submitted to the European Parliament after the UK Parliamentary scrutiny reserve is raised.



FROM: J M G TAYLOR
DATE: 19 November 1987

MR PARKINSON

cc PS/Paymaster General
Sir G Littler
Mr Edwards
Mr Scholar
Mr C Kelly
Miss Sinclair
Mr Mortimer
Mr Dyer
Mr Knox - C&E

ECOFIN PQ

The Chancellor has seen your submission of 18 November. He is content with the draft Answer, subject to the following sentence being added at the end of paragraph 4: "I made it clear that the United Kingdom would not permit to come into force any proposals that in any way conflicted with pledges Her Majesty's Government has given concerning the UK's zero rates of VAT."

A handwritten signature in black ink, appearing to be "J M G TAYLOR".

J M G TAYLOR

INTERNATIONAL PRIMARY MARKET ASSOCIATION

1-3 COLLEGE HILL
LONDON EC4R 2RA

IPMA

TELEPHONE: 01-246 0933
TELEX: 947018 IPMA G

VIA RAPIFAX

20th November, 1987

Mr. G.E. Fitchew
Director General
Commission of the European Communities
DG XV
Rue de la Loi 200
B-1049 Brussels
Belgium

Dear Mr. Fitchew,

Re: Draft Prospectus Directive

Further to my conversation with Mr. Cruikshank on 17th November, the International Primary Market Association has considered the French delegation's suggestion that Euro-securities be excluded from the Directive if the public is not canvassed. IPMA is content with such a requirement provided the concept of canvassing is made sufficiently clear to provide a workable test.

We are pleased to suggest language to be inserted, as an additional item in Article 2, which we believe will accomplish this goal. Our suggestion is as follows:

"This Directive shall not apply:

() to Euro-securities which are not offered by (i) advertising in a newspaper of general circulation or by radio or television or other similar general advertising or (ii) canvassing of the general public which, for this purpose, shall not include offers made to persons in the context of their trades or professions and communications between a credit institution or other financial institution and its customers."

In the interest of brevity and simplicity we have not included a reference to "tombstone" announcements although we are all agreed that tombstones are not advertising or publicity which would be included in our suggested language.

We are very concerned that the definition of Euro-securities which is finally adopted not deviate substantively from the tripartite approach we have been discussing with you following our letter of 15th September, 1987. In particular, with reference to Meeting document No. 4, we believe very strongly that it is not necessary to add the requirement that the securities "benefit from an investment guarantee or are underwritten by the said syndicate". In addition to being unnecessary the language would exclude best efforts underwritings and placings.

Cont/...

Cont/2...

We also believe that it is unnecessary, in the second indent, to require that the securities be offered solely or principally outside of the State in which the issuer has its registered office. We continue to support the test we originally suggested: "is intended to be distributed in more than one State".

If you have any questions or would like additional information, please telephone me at 44-1-382-8494.

Yours faithfully,

A handwritten signature in cursive script, appearing to read "C.R. Dammers", followed by a long horizontal flourish.

C.R. Dammers

"This Directive shall not apply:

() to Euro-securities which are not offered by (i) advertising in a newspaper of general circulation or by radio or television or other similar general advertising or (ii) canvassing of the general public which, for this purpose, shall not include offers made to persons in the context of their trades or professions and communications between a credit institution or other financial institution and its customers."

Merrill Lynch Europe Limited
Merrill Lynch House
27 Finsbury Square
London EC2A 1AQ
Telephone: 01-382 8494
Telex: 8811047 MERLYN G
Fax: 01-588 1842

5-38-1842



From the office of
Clifford R. Dammers
Executive Director

BY HAND

20th November 1987

A.C.G. Lowry Esq
Department of Trade and Industry
10-18 Victoria Street
London SW1H 0NN

Dear Colin

Please find herewith a copy of the letter we sent to Geoffrey Fitchew this afternoon.

Yours sincerely,

C.R. Dammers

c.c.: L.B. Green Esq.
Department of Trade & Industry

1-20.11

CONFIDENTIAL

Handwritten initials

FROM: I C R BYATT
DATE: 20 November 1987

MR J M G TAYLOR

cc PS/Paymaster General
Sir G Littler
A J C Edwards

Handwritten initials 'OK'

Mr B Knox - C&E
Mr Bostock - UKREP

ABOLITION OF FISCAL FRONTIERS

In your minute of 18 November you record that the Chancellor trusts the Danes and the EPC will see to it that this item is not on the December ECOFIN Agenda.

2. I am not sure that I can guarantee this. The Chairman of the EPC is keen to give some kind of report to ECOFIN in December. But I think I can guarantee that this will be an interim report indicating that there is much more work to be done. And in this situation we can probably rely on the Danes to send EPC back to complete its work before there is a full discussion.

3. I will speak to my opposite number in Copenhagen to see whether he will be happy to handle the business in this way.

4. If I were to go further and try to get EPC to postpone any kind of report I think I would probably fail. The Germans as well as the French seem keen on the idea of an interim EPC report.

Handwritten initials 'IB'

I C R BYATT

CONFIDENTIAL



Pyg

FROM: J M G TAYLOR
DATE: 23 November 1987

MR BYATT

cc PS/Paymaster General
Sir G Littler
Mr A J C Edwards
Mr Knox - C&E
Mr Bostock - UKREP

ABOLITION OF FISCAL FRONTIERS

The Chancellor has seen your minute of 20 November. He agrees that you should proceed as you suggest.

JMGT

J M G TAYLOR

FROM: M PARKINSON
DATE: 24 November 1987

- Agreed
1. MR EDWARDS
 2. SIR GEOFFREY LITTLER
 3. ~~CHANCELLOR~~

cc: Paymaster General
Mr Byatt
Mr Odling-Smee
Mr Mortimer

*Mr Alec Allan
The Chancellor will attend,
for discussions in the margin.
But perhaps you should refer
to others!*

JL 24/11

ECOFIN 7 DECEMBER 1987

The next ECOFIN meeting is expected to be on 7 December at 2.30 pm, preceded by lunch, and will be in Brussels.

2. At present the agenda looks rather thin. The main item is the discussion and adoption of the Annual Economic Report. We are seeking to make some detailed drafting amendments to the Commission's report, but in broad terms the report is uncontentious.
3. There could also be a preliminary report back on the EPC's first meeting on their evaluation of Lord Cockfield's tax approximation proposals, indicating the nature of their work to be done subsequently. We assume that there would not be substantive discussion.
4. There are also likely to be one or two more minor items on draft directives on internal market issues.
5. For administrative purposes, it would be helpful if you could let us know provisionally whether you have it in mind to attend the Council yourself and, if not, what alternative arrangements you would like.

Marm Parkinson

M PARKINSON

RESTRICTED



mp

FROM: J M G TAYLOR
DATE: 25 November 1987

MR PARKINSON

cc PS/Paymaster General
Sir G Littler
Mr Byatt
Mr Edwards
Mr Odling-Smee
Mr Mortimer

ECOFIN 7 DECEMBER 1987

Your minute of 24 November.

2. The Chancellor plans to attend this ECOFIN.

JMG

J M G TAYLOR



Ch.
 ECOFIN

Assuming that you go, who do you want to accompany you?

EC suggest only Sir G Littler, and possibly Mr RIG Allen (apart from me). Agree? *OK ✓*

2. Do you plan to leave immediately after lunch, or to stay for items 2 + 3 on the agenda (see tel., below).

Do you want support for Item 2?

(UKREP want support on it if you do not plan to stay for it.) See also PEM's note, below

JF 2/12

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7. NOTHING WAS SAID ON THE 18TH VAT DIRECTIVE, BUT THE ASSUMPTION IS THAT ITS INCLUSION WILL DEPEND ON TOMORROW'S COREPER DISCUSSION.

8. AS FOR FOLLOW-UP TO THE EUROPEAN COUNCIL, ESPER LARSEN MADE THE OBVIOUS POINT THAT THIS WOULD ONLY BE KNOWN AT THE VERY LAST MINUTE. THERE COULD BE LITTLE OR NO COREPER PREPARATION THEREFORE.

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FRAME ECONOMIC

COREPER (AMBASSADORS) : 26 NOVEMBER

PREPARATION FOR 7 DECEMBER ECOFIN.

SUMMARY.

1. FINAL DECISION AT NEXT WEEK'S COREPER ON WHETHER TO INCLUDE ON AGENDA TAX APPROXIMATION, PROSPECTUSES AND CHANGES IN MAJOR SHAREHOLDINGS PROPOSALS.

2. COUNCIL TO BE PRECEDED BY LUNCH AT 1300 HOURS.

DETAIL.

3. PROVISIONAL AGENDA IS STILL UNCHANGED, I.E.:-

- 1) FOLLOW-UP TO EUROPEAN COUNCIL
- 2) ANNUAL ECONOMIC REPORT 1987-8
- 3) ABOLITION OF FISCAL FRONTIERS (TAX APPROXIMATION)
- 4) THE 18TH VAT DIRECTIVE
- 5) PROSPECTUSES
- 6) DIRECTIVE ON CHANGES IN MAJOR SHAREHOLDINGS

4. ESPER LARSEN (PRESIDENCY) SAID A FINAL DECISION WOULD BE MADE AT NEXT WEEK'S COREPER ON WHETHER TO INCLUDE ON THE 7 DECEMBER AGENDA TAX APPROXIMATION (THIS WOULD DEPEND ON PROGRESS WHICH THE EPC MADE AT THEIR MEETING THIS WEEK), PROSPECTUSES (NOW NOT BEING TAKEN UNTIL COREPER NEXT WEDNESDAY, 2 DECEMBER) AND CHANGES IN MAJOR SHAREHOLDINGS (TO BE DISCUSSED AT TOMORROW'S COREPER 27 DECEMBER).

5. UNGERER (GERMANY) ECHOED MY SENTIMENTS LAST TIME IN EXPRESSING DOUBTS THAT EITHER OF THE LATTER PROPOSALS COULD POSSIBLY BE READY FOR THE DECEMBER ECOFIN.

6. ON TAX APPROXIMATION I SAID OUR UNDERSTANDING WAS THAT THE MOST WHICH COULD BE EXPECTED FROM THE EPC IN TIME FOR ECOFIN WAS AN INTERIM REPORT. ESPER LARSEN AGAIN PROMISED TO TAKE STOCK NEXT WEEK.

2786/14

FROM: M PARKINSON
DATE: 27 NOVEMBER 1987

Mr Edwards
Mr C Kelly (MP)
Ms French (C&E)
Mr Craske (C&E)
Mr L Green (DTI)
Mr M Newman (DTI)

cc: PS/Chancellor
PS/PMG
Sir G Littler
Mr Byatt
Mr Odling-Smee
Mr Mortimer
Mr Mercer
Mr Bonney
Ms Sinclair
Mr Ilett
Miss Wright
Mr Thomson, UKREP

ECOFIN 7 DECEMBER

The next EC Economics and Finance Council is on 7 December in Brussels. It will begin at 2.30pm. The Chancellor intends to attend.

2. The provisional agenda is as follows (see UKREP telno 4032 attached):

in the formal Council

- (a) follow-up to the European Council
- (b) Annual Economic Report 1987-88
- (c) abolition of fiscal frontiers
- (d) the 18th VAT Directive
- (e) the prospectuses Directive
- (f) Directive on changes in major shareholdings.

3. I would be grateful if briefs could be provided as follows:

Ms French on (c)
Mr Craske on (d)
Mr Green on (e)
Mr Newman on (f).

4. I will prepare a brief on (b) in consultation with Mr Kelly. Mr

Edwards may wish to consider sending a brief on the morning of 7
December on (a).

5. Briefs should follow the standard format (attached) and should reach me by close on Wednesday 2 December if possible, including any attachments. Please could anyone planning to attend the ECOFIN let me know.

6. Many thanks for your help.

Mark Parkinson

M PARKINSON

ECI Division

Room 20/G

HM Treasury

x 4441

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HD/NEWS
HD/ERD
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MR J H HOLROYD CAB OFF
MR PARKER CAB OFF
MR C R BUDD CAB OFF
SIR GEOFFREY LITTLER TRSY
MR J E MORTIMER TRSY
MR C D CRABBIE TRSY
PERMANENT SEC/MAFF
MR P KENT HM CUSTOMS

NNNN

ECOFIN BRIEFING: STRUCTURE OF BRIEFS

General note: be as brief as possible, and try to get objectives and line to take/point to make on first page.

UK OBJECTIVES

These should be stated in a short paragraph. It should be made clear whether the Minister is required to intervene, or whether he will just be participating in a general discussion.

POINTS TO MAKE/LINE TO TAKE

- (i) Line to take is appropriate when a proposal is being discussed, and when the Minister is asked to intervene.
- (ii) Points to make are for discussion documents where no operational decisions will be reached.
- (iii) Line to take/points to make should not include editorial comment except where absolutely essential and square bracketed; they should be set out in skeleton speaking note form, so that the Minister can read from them without further editing.
- (iv) Points to make should be interesting i.e not only simple restatements of UK policy where that is well known. It should be remembered that a Minister is limited in the number of points he can make e.g three.
- (v) Short Q/A defensive material should be included only if necessary e.g where the Minister will have to argue out a particular point.

BACKGROUND NOTE

Where possible, this should be confined to two sides.

ECOFIN, MARCH 12

SUBJECT

Relevant document:

UK objectives
[If any]

Line to take/Points to make

Defensive briefing
[if necessary]

Background.

The Hague, November 27, 1987



MINISTER
VAN
FINANCIËN

nr. 387-11062

The Right Honourable Nigel Lawson, MP.
Chancellor of the Exchequer
H.M. Treasury,
Great George Street
GB-London SW1P 3AG

CH/EXCH	
NO.	27/NOV/1987
MR ASC EDWARDS PSP/PM/4 SIR G. LITTLE MR MORTIMER MR MERCEK MR PARKINSON	

~~STC~~
20/6

Dear Nigel,

For the next Ecofin Council the Danish presidency is planning to place a proposal for a directive on information to be published on major holdings in listed companies on the agenda.

The Federal Republic and the Netherlands are very much opposed to such a directive. The delegations of the UK and the other Member States appear to be in favour of the idea. I find this very worrying indeed. It is not so much that I dislike the idea of being compelled to introduce new legislation. After all, that is one of the consequences of being a member of the E.C.

The reason for my concern over this particular proposal lies in the fact that the Commission is seeking harmonisation of national securities regulations which have nothing to do with either the internal or the common market. It is my conviction that the adoption of the directive at hand will stimulate the Commission to conceive further proposals in the securities field which bear no relation at all to the need for European integration.

This would not serve the interests of the UK and the Netherlands. It is therefore my sincere hope that you would be amenable to taking the British view on this directive into reconsideration.

Best personal regards

Onno Ruding

H. Onno Ruding

INTERNATIONAL STATISTICS: EUROPEAN COMMUNITY, US AND JAPAN**List of tables****Activity, Inflation and Current Balances**

1. GNP growth rates
2. Inflation rates
3. Unemployment rates
4. Current Account Balances

Budget Deficits and Money Supply

5. General government fiscal deficits
6. Monetary growth and targets

Interest Rates and Exchange Rates

7. Short term - 3 month interbank
8. Long-term - 10 year bond yields
9. Effective exchange rates
10. Relative unit labour costs

Reserves

11. Total reserves minus gold
12. Total reserves.

INTERNATIONAL STATISTICS: EUROPEAN COMMUNITY, US AND JAPAN

1. Gross domestic product (per cent changes)

	1986	1987	1988
Belgium	2 $\frac{1}{4}$	1 $\frac{1}{4}$	2 $\frac{1}{2}$
Denmark	3 $\frac{1}{2}$	- $\frac{1}{4}$	2 $\frac{1}{2}$
France	2 $\frac{1}{2}$	1 $\frac{1}{2}$	2 $\frac{1}{2}$
Germany	2 $\frac{1}{2}$	1 $\frac{1}{2}$	2 $\frac{1}{2}$
Greece	1 $\frac{1}{4}$	- $\frac{3}{4}$	1 $\frac{1}{2}$
Ireland	$\frac{1}{2}$	1	1 $\frac{1}{2}$
Italy	2 $\frac{3}{4}$	3 $\frac{1}{4}$	2 $\frac{3}{4}$
Luxembourg	2 $\frac{1}{4}$	2	1 $\frac{1}{2}$
Netherlands	2	1 $\frac{3}{4}$	1
Portugal	4 $\frac{1}{4}$	3 $\frac{1}{2}$	3
Spain	3	2 $\frac{3}{4}$	3
UK	2 $\frac{1}{2}$	3	2 $\frac{1}{2}$
EC	2 $\frac{1}{2}$	2 $\frac{1}{4}$	2 $\frac{1}{4}$
USA	2 $\frac{1}{2}$	2 $\frac{1}{4}$	2 $\frac{1}{2}$
Japan	2 $\frac{1}{2}$	2 $\frac{3}{4}$	3 $\frac{1}{4}$

2. Prices- consumers' expenditure deflator (per cent changes)

	1986	1987	1988
Belgium	1 $\frac{1}{4}$	1 $\frac{1}{2}$	2
Denmark	3 $\frac{1}{2}$	4 $\frac{1}{4}$	4 $\frac{1}{4}$
France	2 $\frac{3}{4}$	2 $\frac{3}{4}$	2 $\frac{1}{4}$
Germany	- $\frac{1}{2}$	$\frac{3}{4}$	2
Greece	22	13 $\frac{1}{2}$	9
Ireland	3 $\frac{1}{2}$	3 $\frac{1}{4}$	3 $\frac{1}{2}$
Italy	6 $\frac{1}{4}$	4 $\frac{1}{4}$	3 $\frac{3}{4}$
Luxembourg	$\frac{1}{4}$	1 $\frac{1}{4}$	2 $\frac{1}{2}$
Netherlands	-	-1	1 $\frac{1}{4}$
Portugal	11 $\frac{3}{4}$	9 $\frac{1}{2}$	8
Spain	9	6	5 $\frac{1}{2}$
UK	3 $\frac{3}{4}$	4	4 $\frac{1}{4}$
EC	3 $\frac{1}{2}$	3	3 $\frac{1}{4}$
USA	2	3 $\frac{1}{2}$	3 $\frac{3}{4}$
Japan	$\frac{3}{4}$	-	$\frac{1}{2}$

Source: EC Commission Forecasts, May 1987

3. Unemployment rate (per cent of civilian labour force)*

	1986	1987	1988
Belgium	12 $\frac{3}{4}$	12 $\frac{3}{4}$	12 $\frac{3}{4}$
Denmark	7 $\frac{1}{2}$	8	8 $\frac{1}{2}$
France	11 $\frac{1}{2}$	11 $\frac{1}{2}$	12
Germany	8	8	8
Greece	7 $\frac{1}{2}$	8	8 $\frac{3}{4}$
Ireland	18 $\frac{1}{4}$	18 $\frac{3}{4}$	18 $\frac{1}{4}$
Italy	13	13	12 $\frac{1}{2}$
Luxembourg	1 $\frac{1}{2}$	1 $\frac{1}{4}$	1 $\frac{1}{4}$
Netherlands	12	11 $\frac{1}{2}$	11
Portugal	8 $\frac{1}{2}$	8 $\frac{1}{2}$	8 $\frac{1}{2}$
Spain	21 $\frac{1}{2}$	21 $\frac{1}{4}$	21 $\frac{1}{4}$
UK	12	11	10 $\frac{3}{4}$
EC	12	11 $\frac{3}{4}$	11 $\frac{3}{4}$
USA	7	6 $\frac{3}{4}$	6 $\frac{3}{4}$
Japan	2 $\frac{3}{4}$	3 $\frac{1}{4}$	3 $\frac{1}{4}$

* Partially standardised

4. Current account balances (% of GDP)

	1986	1987	1988
Belgium	2 $\frac{1}{2}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$
Denmark	-4 $\frac{3}{4}$	-3 $\frac{1}{4}$	-2 $\frac{1}{2}$
France	- $\frac{1}{4}$	- $\frac{1}{2}$	- $\frac{1}{2}$
Germany	4	2 $\frac{3}{4}$	2
Greece	-5 $\frac{1}{2}$	-4 $\frac{3}{4}$	-5 $\frac{1}{4}$
Ireland	-1 $\frac{1}{4}$	-1 $\frac{1}{2}$	-1 $\frac{1}{4}$
Italy	$\frac{3}{4}$	$\frac{1}{2}$	-
Luxembourg	41 $\frac{1}{2}$	39 $\frac{3}{4}$	38 $\frac{1}{4}$
Netherlands	3	1 $\frac{1}{2}$	1 $\frac{1}{2}$
Portugal	4	1	- $\frac{3}{4}$
Spain	2	$\frac{3}{4}$	$\frac{1}{4}$
UK	- $\frac{1}{4}$	- $\frac{3}{4}$	- $\frac{3}{4}$
EC	1	$\frac{3}{4}$	$\frac{1}{2}$
USA	-3 $\frac{1}{2}$	-3 $\frac{1}{4}$	-3
Japan	4 $\frac{1}{4}$	3 $\frac{3}{4}$	3 $\frac{1}{4}$

Source: EC Commission Forecasts, May 1987

5. General Government fiscal deficits (per cent of GNP)

	1986	1987	1988
Belgium	8 $\frac{3}{4}$	-6 $\frac{1}{2}$	-6 $\frac{1}{4}$
Denmark	3 $\frac{1}{2}$	2 $\frac{1}{2}$	2 $\frac{3}{4}$
France	-3	-2 $\frac{3}{4}$	-2 $\frac{3}{4}$
Germany	-1 $\frac{1}{4}$	-1 $\frac{3}{4}$	-2
Greece	-10 $\frac{1}{4}$	-9 $\frac{1}{2}$	-10 $\frac{1}{4}$
Ireland	-10 $\frac{3}{4}$	-9	-7 $\frac{3}{4}$
Italy	-11 $\frac{1}{4}$	10 $\frac{1}{2}$	-9 $\frac{1}{4}$
Luxembourg	4	2 $\frac{1}{2}$	2
Netherlands	-6	-6 $\frac{1}{2}$	-6
Portugal	-8 $\frac{1}{2}$	-9	-9
Spain	-6	-5 $\frac{1}{2}$	-5
UK	-3 $\frac{1}{4}$	-2 $\frac{1}{2}$	-2 $\frac{1}{4}$
EC	-5	-4 $\frac{1}{2}$	-4 $\frac{1}{2}$
US	-3 $\frac{1}{4}$	-2 $\frac{3}{4}$	-2
Japan	-1 $\frac{1}{2}$	-1 $\frac{1}{2}$	-1 $\frac{1}{4}$

Source: EC Commission Forecasts, May 1987

6. Money supply (change over previous period at annual rates)

	1985	1986	latest growth over base at annual rate	Target range
Germany (CBM)	4.6	6.4	7.4 (Aug)	3 - 6
France (M3)	8.3	5.4	9.7 (Aug)	3 - 5
UK (M0)	4.6	4.0	4.9 (Sep)*	2 - 6
US (M1)	9.2	13.4	8.4 (Sep)	na
Japan (M2+CDs)	8.4	8.6	10.4 (Jul)	10

* Change on level 12 months earlier.

7. Three-month interest rates (per cent per annum)

	1986				1987			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	9 Nov
France	8 $\frac{3}{4}$	7 $\frac{1}{2}$	7 $\frac{1}{4}$	7 $\frac{3}{4}$	8 $\frac{1}{4}$	8	8	8 $\frac{3}{4}$
Germany	4 $\frac{1}{2}$	4 $\frac{1}{2}$	4 $\frac{1}{2}$	4 $\frac{3}{4}$	4 $\frac{1}{4}$	3 $\frac{3}{4}$	4	4
Italy	15 $\frac{3}{4}$	12 $\frac{3}{4}$	11 $\frac{1}{2}$	11 $\frac{1}{4}$	11 $\frac{1}{2}$	10 $\frac{1}{2}$	12	11 $\frac{1}{2}$
Netherlands	5 $\frac{3}{4}$	5 $\frac{1}{2}$	5 $\frac{1}{2}$	5 $\frac{1}{2}$	5 $\frac{1}{2}$	5 $\frac{1}{4}$	5 $\frac{1}{2}$	5
UK	12 $\frac{1}{2}$	10 $\frac{1}{4}$	10	11 $\frac{1}{4}$	10 $\frac{1}{2}$	9 $\frac{1}{4}$	9 $\frac{3}{4}$	8 $\frac{3}{4}$
Major EC average	9	7 $\frac{1}{2}$	7 $\frac{1}{2}$	8	7 $\frac{1}{2}$	7	7 $\frac{1}{2}$	7 $\frac{1}{2}$
USA	7 $\frac{3}{4}$	6 $\frac{3}{4}$	6 $\frac{1}{4}$	6 $\frac{1}{4}$	6 $\frac{1}{4}$	6 $\frac{1}{4}$	7	7 $\frac{1}{4}$
Japan	6	4 $\frac{3}{4}$	4 $\frac{3}{4}$	4 $\frac{1}{2}$	4	3 $\frac{3}{4}$	3 $\frac{3}{4}$	4

8. Long term government bond yields (per cent)

	1985		1986				1987			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	16 Nov	
France	10 $\frac{1}{2}$	9 $\frac{1}{2}$	8	7 $\frac{3}{4}$	8 $\frac{1}{2}$	8 $\frac{3}{4}$	9	9 $\frac{3}{4}$	9 $\frac{3}{4}$	
Germany	6 $\frac{3}{4}$	6 $\frac{1}{2}$	6	6	6 $\frac{1}{2}$	6 $\frac{1}{4}$	6 $\frac{1}{2}$	6 $\frac{1}{2}$	6 $\frac{1}{2}$	
Italy	13 $\frac{3}{4}$	13 $\frac{3}{4}$	11 $\frac{3}{4}$	11	10 $\frac{1}{4}$	9 $\frac{3}{4}$	10 $\frac{1}{4}$	11	11 $\frac{1}{2}$	
Netherlands	7	6 $\frac{3}{4}$	6 $\frac{3}{4}$	6	6 $\frac{1}{4}$	6 $\frac{1}{4}$	6 $\frac{1}{4}$	6 $\frac{1}{2}$	6 $\frac{1}{2}$	
UK	10 $\frac{3}{4}$	10 $\frac{3}{4}$	9 $\frac{1}{2}$	9 $\frac{3}{4}$	11	9 $\frac{3}{4}$	9	10	9 $\frac{1}{4}$	
Major EC average	9 $\frac{1}{2}$	9 $\frac{1}{4}$	8	8 $\frac{1}{4}$	8 $\frac{1}{2}$	8	8 $\frac{1}{2}$	8 $\frac{3}{4}$	8 $\frac{1}{2}$	
USA	9 $\frac{3}{4}$	8 $\frac{1}{2}$	7 $\frac{1}{2}$	7 $\frac{1}{4}$	7 $\frac{1}{4}$	7 $\frac{1}{4}$	8 $\frac{1}{4}$	8 $\frac{3}{4}$	8 $\frac{3}{4}$	
Japan	6	5 $\frac{1}{2}$	4 $\frac{3}{4}$	4 $\frac{3}{4}$	5	4 $\frac{3}{4}$	3 $\frac{1}{4}$	5	5 $\frac{1}{4}$	

9. Effective exchange rates (1975 = 100)

	1986				1987			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	20 Nov
Belgium	93.8	95.2	96.2	97.5	100.4	100.0	99.7	101.3
France	71.0	69.0	69.5	70.8	72.0	71.6	71.4	72.3
Germany	133.1	134.7	138.6	142.6	147.7	146.9	146.4	151.1
Italy	45.9	46.1	47.3	48.2	48.4	47.5	47.1	47.5
Netherlands	122.6	124.4	129.0	130.8	135.1	135.0	134.6	139.0
UK	75.1	76.0	71.9	68.3	69.9	72.8	72.7	75.7
US	121.2	116.0	111.4	110.5	104.2	101.0	102.5	96.3
Japan	186.7	202.8	214.8	208.0	210.1	222.9	218.0	228.2

Source: Bank of England

10. Relative unit labour costs in manufacturing (1980=100)*

	1986				1987	
	Q1	Q2	Q3	Q4	Q1	Q2
Belgium	78.2	77.1	76.3	77.7	80.5	80.8
Denmark	107.1	100.8	106.2	107.5	115.9	117.2
France	96.3	91.7	92.1	93.8	94.3	92.2
Germany	94.9	97.0	101.2	104.5	108.8	107.0
Italy	110.4	110.7	114.1	117.6	118.9	118.5
Netherlands	81.0	83.9	86.1	88.4	88.3	88.0
Portugal						
Spain	74.8	73.4	76.8	75.5	75.7	76.6
UK	83.8	84.9	78.8	74.2	76.2	80.0
US	117.8	112.9	106.5	105.0	96.9	93.1
Japan	122.7	132.5	141.5	136.0	134.5	141.9

* In common currency

Source:IMF

11. Total Reserves minus gold (SDR billion, end of period)

	1986				1987		Latest
	Q1	Q2	Q3	Q4	Q1	Q2	
Belgium	4.3	4.9	4.3	4.5	4.8	6.1	6.7 (Sep)
Denmark	4.1	3.7	4.3	4.1	5.1	6.9	7.0 (Sep)
France	23.3	29.4	25.8	25.7	24.8	25.2	24.6 (Aug)
Germany	40.0	37.9	40.4	42.3	47.0	48.7	49.7 (Sep)
Greece	1.0	0.9	1.3	1.2	1.4	1.4	2.4 (Sep)
Ireland	2.7	2.8	2.6	2.6	2.8	2.9	3.3 (Sep)
Italy	13.1	16.9	15.8	16.3	19.5	17.8	16.8 (Sep)
Netherlands	9.6	9.3	9.6	9.1	9.5	10.7	11.1 (Sep)
Portugal	1.0	1.0	1.7	1.2	1.2	1.3	2.3 (Aug)
Spain	10.7	10.5	12.5	12.1	12.1	15.6	19.9 (Sep)
UK	12.3	12.6	15.3	15.1	16.7	22.5	22.8 e (Sep)
US	29.7	30.2	30.5	30.6	29.4	26.7	26.6 (Sep)
Japan	24.7	28.9	34.2	34.5	45.3	54.0	56.1 (Sep)

Source: IMF

12. Total reserves including gold (at SDR 35 per Ounce) and IMF items (SDR billion, end of period)

	1986				1987		Latest
	Q1	Q2	Q3	Q4	Q1	Q2	
Belgium	7.3	5.5	6.1	5.5	5.7	6.0	7.9 (Sep)
Denmark	6.9	4.1	3.7	4.3	4.1	5.1	7.1 (Sep)
France	28.1	26.1	32.2	30.6	28.6	27.6	27.5 (Aug)
Germany	52.1	43.3	41.2	43.7	45.6	50.3	53.0 (Sep)
Greece	1.5	1.1	1.0	1.4	1.4	1.5	2.6 (Sep)
Ireland	3.0	2.7	2.8	2.6	2.7	2.8	3.3 (Sep)
Italy	20.1	15.4	19.2	18.2	18.7	21.8	19.1 (Sep)
Netherlands	12.3	11.2	10.9	11.2	10.7	11.0	12.6 (Sep)
Portugal	2.0	1.7	1.7	2.4	1.9	1.9	3.0 (Aug)
Spain	16.1	11.2	11.0	13.0	12.6	12.6	20.4 (Sep)
UK	23.1	12.9	13.3	16.0	15.7	17.4	23.4 (Sep)
US	35.8	38.9	39.3	39.7	39.8	38.5	35.7 (Sep)
Japan	54.9	25.5	29.8	35.1	35.4	46.2	56.9 (Sep)

Source: IMF

November 1987
IF2
HM TREASURY

The trouble with its infrastructure
involvement is that it's a penny, not a £.
infra 100 infra 1/2 cent.

COVERING CONFIDENTIAL

Mr C Simitis

Minister of National Economy

12. Mr Athanasopoulos

Alternate Minister of Finance

Ireland

13. Mr R MacSharry

Minister for Finance

14. Maurice F Doyle

Secretary - Department of Finance

Italy

15. Mr Giuliano Amato

Minister for the Treasury

Luxembourg

16. Mr Jacques Santer

Prime Minister and Minister of Finance

17. Mr Jean Claude Juncker

Minister of Labour, Minister Delegate for Finance, responsible for the Budget

18. Mr Jacques Poos

Vice-President of the Government
Minister of the Economy

19. Mr Pierre Werner

Honorary Minister of State

Netherlands

20. Dr Ruding

Minister for Finance

Portugal

21. Dr Miguel Jose Ribeiro Cadilhe Minister of Finance

Spain

22. Mr Carlos Solchaga Catalan

Minister of the Economy and Finance

Secretariat

23. Mr Ersbóll

Secretary General of the Council
Secretariat

Commission of the European Communities

- | | | |
|-----|----------------------|----------------|
| 24. | Mr Jacques Delors | President |
| 25. | Lord Cockfield | Vice President |
| 26. | Mr Christophersen | Vice President |
| 27. | Mr Andriessen | Vice President |
| 28. | Mr Willy De Clercq | Member |
| 29. | Mr Peter Schmidhuber | Member |

MAYSTADT, PHILIPPE

Minister for ^{Economic Affairs} ~~the Budget, Scientific Policy and Planning~~. Former Minister for the Civil Service and Scientific Policy (1980-81). Deputy for Charleroi since 1977.

Born 1948. Spent 2 years in the US where he gained a degree in Public Administration at the University of Los Angeles. He also has a law degree from Louvain University. State Secretary for the Walloon region (October 1979-April 1980).

A young and articulate politician with an important portfolio, who has an enthusiastic following among the younger members of the PSC. One of the few members of his party to improve his standing in the November 1981 elections and a possible future leader.

Married with three young children. Speaks quite good English.

EYSKENS, MARK

Finance

Minister for ~~Economic Affairs~~. Former Prime Minister (April-December 1981) and Minister of Finance (October 1980-April 1981). CVP Deputy for Leuven since April 1977.

Born Leuven 1933.

Son of former Prime Minister, Gaston Eyskens. Doctorate from Leuven University (KUL) and MA from Columbia University. Adviser to Finance Minister 1962-65, Professor of Economics at KUL since 1966. Commissaire-Générale responsible for links between the French and Dutch speaking universities of Leuven (UCL-KUL) since 1972.

Held office in both Tindemans' governments, first as State Secretary for Land Management and then as State Secretary for the Budget and Flemish Regional Economy. Served as Minister for Cooperation and Development under Martens, April 1979-October 1980.

An eminent economist and influential adviser to his party on economic matters, on which he generally takes a conservative line. As State Secretary for the Flemish Regional Economy he was active in seeking new investments for Flanders, especially from the United States, whose diminished confidence in Belgian economic prospects he tried hard to revive. He brought a change of style to the Cooperation and Development Ministry where he attempted to alter the pattern of Belgian aid, hitherto directed almost exclusively to francophone countries.

He is married. Both he and his charming wife speak excellent English, are very sociable, and are seen about more than any other Belgian Minister.

CONFIDENTIAL

New Minister for Economic Affairs

ENNGAARD, KNUD

Minister for the Interior since March 1986 (Venstre).

Born June 1929. Degree in Engineering Science 1954. Civil Engineer with Danish Air Force from 1955-62. Active in local politics and Venstre Youth organisation (Deputy Chairman 1957-59, Chairman 1959-62). Member of Venstre Party board 1957-62 and since 1965; Party Vice Chairman 1978-82. Member of the Folketing since 1964. A respected Chairman of the party's group in the Folketing 1970-71 and 1973-77. (Vice Chairman 1971-73). Minister for the Interior during short Social Democratic/Venstre coalition 1978-79. Minister for Energy from September 1982-March 1986.

Intelligent and influential in his party. His political future came into question after the dispute with Jens Christensen (qv) which led to the latter's being sacked from DONG in November 1983. The Social Democrats (who had appointed Christensen and given him free rein) insisted that Enggaard had acted for purely political reasons. With full support from Schluter he weathered this storm but it did not help his reputation for touchiness.

Married. A compulsive talker. Speaks reasonably good English.

MONSEN, PALLE
MINISTER OF FINANCE SINCE JULY 1984.
FROM
Minister for Social Affairs (Conservative) since September 1982. UNTIL JULY 1984

Born 1933. After training at a business school in Jutland, worked in industry. Member of the Folketing 1968-75 and since 1977. Chairman of the Defence Committee for several years. Deputy Chairman of the Conservative Party since 1975. Member of the Radio Council and the Civil Defence Council. Would have preferred Defence portfolio, but was pressed to take what was seen as the more difficult Social post, where he seems to be doing well. Met Mr Norman Fowler briefly in March 1983. Visited Britain as guest of Government to study defence early 1982. Some tip him for high office. Helpful over visit by House of Commons Select Committee on Social Affairs 25-26 April 1983, when they studied Danish policy on children in care.

Married: both speak English. Very approachable and ready to accept invitations. Active in local charities in Gentofte.

CONFIDENTIAL

BALLADUR, EDOUARD

Minister of the Economy, Finance and Privatisation.

As the only Minister of State in the Government, clearly the most important figure after Chirac. He will supervise Junior Ministers for the Budget, Privatisation and Foreign Trade. Born 1929. ENA. 1963-74 worked for Pompidou, first as Social Affairs Adviser (alongside Chirac) when Pompidou was Prime Minister, later Assistant Secretary-General of the Elysee in 1969 and Secretary-General in 1973. After Pompidou's death in 1974, Head of a Subsidiary of the CGE Electronics Group before moving back into the political world in the late 1970s as an increasingly influential adviser to Chirac.

Although largely unknown to the French public (he had not stood for elected office before last Sunday), he is intelligent, calm and discreet and has a high reputation for efficiency and good sense. He has little direct experience of the Ministry he now directs or of financial affairs and, while open-minded, is generally seen as prudent rather than particularly liberal in his approach to economic affairs. This is in contrast to the more obviously liberal approach of other ministers in the economic field, notably Juppé (Budget), Noir (Foreign Trade) and Madelin (Industry).

STOLTENBERG, DR GERHARD, HON GCMG

Federal Minister of Finance.

Born 1928 in Kiel, the son of a clergyman. War Service 1944-45. Studied history, social science and philosophy at Kiel University, taking his doctorate in 1954 with a thesis on the work of the First Reichstag. Thereafter worked as an assistant at Kiel University. Appointed Lecturer in Modern History in 1960, his special topic being Tirpitz and his naval policy. 1965 and again 1969-70, a Director of Friedrich Krupp, and Head of the company's Economic Policy Department.

He entered politics through the Young CDU, of which he was Federal Chairman from 1955-61. A member of the Schleswig-Holstein Land Parliament from 1954-57, and again since 1971. A member of the Bundestag from 1957-71. 1965-69 Federal Minister for Scientific Research. Elected a Vice-Chairman of the CDU in 1969 and from 1969-71 was Vice-Chairman of the CDU-CSU Parliamentary Party. He resigned from the Bundestag in 1971 to lead the CDU campaign in the Schleswig-Holstein Land elections, as a result of which he became Minister-President. Re-elected in 1979 after a hard and close-fought contest. Returned to Bonn as Finance Minister on the formation of the CDU/CSU/FDP Government in October 1982.

Stoltenberg was the first of the younger generation of CDU politicians from North Germany to reach the top rank. He appeared to be Dr Kohl's main rival within the CDU for the nomination in 1975 as CDU/CSU Chancellor-Candidate. But in the event Kohl's control of the party machinery allowed him to out-manoeuvre Stoltenberg completely, and the latter's candidature never got off the ground. This has reportedly left a legacy of some bitterness between them. His age and abilities should ensure him an important future in the CDU. The CDU's unimpressive showing in Schleswig-Holstein in the 1976 and 1980 Federal elections slightly tarnished his image but in the latter contest his loyal support for Herr Strauss' cause (he stood as Vice-Chancellor candidate) earned him much credit with the Union as a whole, particularly in Bavaria. The obvious choice as Finance Minister in Chancellor Kohl's Cabinet.

Stoltenberg is tall, well-built and good-looking. Reserved, even a little cool, but an effective speaker. He is normally courteous and friendly, but occasionally shows signs of impatience or a touch of arrogance. As Minister for Scientific Research, he favoured European cooperation in the scientific field and showed himself well-disposed to the UK. He often refers to the fact that the Angles came to Britain from his Land. Visited the UK as the guest of HMG in 1974.

Protestant. Married. One daughter and son. His wife is quiet and takes little part in her husband's public life. He speaks good English.

MARTIN BANGEMANN

Born in 1934. A lawyer by profession, he joined the Liberal Free Democrat Party (FDP) in 1963 and rose quickly to become Chairman of the Baden-Wuerttemberg party (the FDP's most important region) in 1974. He was elected to the Bundestag in 1969 and became a Member of the Foreign Affairs Committee.

Genscher (Vice Chancellor and Foreign Minister) made him FDP Secretary-General in September 1974. Bangemann never settled in the job. He stands well to the right in the FDP and was out of tune with the party at a time when it was committed to a coalition with the Social Democratic Party (SDP). He felt strongly that the FDP should keep open the option of future coalition with the Christian Democrats (CDU/CSU). His reluctance to lead his party in to the Baden-Wuerttemberg Regional (land) election in 1976 with a commitment to the SPD caused Genscher to engineer his resignation as Secretary-General. Bangemann was subsequently rejected by the Baden-Wuerttemberg party and resigned as regional Chairman in 1978.

He has spent the last four years as leader of the FDP Parliamentary Group in the European Parliament. As a result he has been out of touch with Federal politics and out of the public eye. He re-emerged with his energetic campaign as the FDP's leading candidate in this year's European election. Although the FDP failed to clear the 5 per cent hurdle necessary for representation at Strasbourg, the blame for this has been laid on Genscher, and Bangemann has managed to emerge relatively unscathed.

Bangemann was an effective member of the European Parliament and leader of the FDP group there. He is a genuinely dedicated European. A strong character and a man brimming with bright ideas. He played a leading role in forming the Federation of European Liberal Parties.

In so far as Bangemann has taken an interest in Economics, his views are Liberal. But in a typical German way he also has a strong social conscience. He is a strong believer in détente.

Bangemann is stout, bespectacled, friendly and a keen traveller. He speaks English and French.

Official State Secretary in the Federal Ministry of the Economy.

Born 1926 in Biberach (Swabia). The son of a butcher. War service; American POW. From 1947-52 studied economics at Freiburg University. Joined the Federal Ministry of the Economy in 1953 and has risen rapidly by sheer ability. A non party figure who has served Ministers of different parties with equal success, impressing each in turn. The right hand man of the Economics Minister, Graf Lambsdorff.

In 1967 Professor Schiller made him Head of the Department dealing with economic policy. Following the General Election in 1972 and the resignation of Dr Mommsen he was promoted to his present position where he is responsible for general domestic economic policy and European Community policy.

Schlecht has consistently held the line against attempts to erode the social market economy from within, and although pragmatic in his private view of the policies of others can be relied upon to voice opposition of what he regards as protectionist trends.

A tall, bulky human man, who retains a strong Swabian accent and simple tastes. His Bonhomie and sometimes coarse humour do not mask his ability. Friendly and well disposed towards Britain, but a firm defender of German interests.

Married, no children. Understands English quite well, although prefers to speak through an interpreter. His wife speaks English quite well. Both are keen, not very good, golfers.

CONFIDENTIAL

TIETMEYER, DR HANS
State Secretary - Federal Ministry of Finance

Born 1931 in Metelen (Westphalia). Studied economics at Münster, Bonn and Cologne. 1959-62 Secretary of Catholic Church organisation. Joined Federal Ministry of the Economy in 1962. 1970 Head of the department dealing with the European Communities and relations with third countries. 1972 Head of the department dealing with economic and growth policy. 1973 promoted to present position.

A South German, friendly and easy in manner if a bit professorial (he spends quite a bit of the time lecturing to professional bodies on behalf of his Minister). Has SPD sympathies, though not a Party man, and has in the past taken a relatively less restrictionist view than some of his economic colleagues. Has a good academic reputation, is highly articulate, and outspoken on his own subject. His views are widely respected. As Chairman of the EC Economic Policy Committee was deeply involved in the EMS and Concurrent Studies and reportedly played fair.

A good contact with an enquiring and objective mind. Married with two children by a first wife who died in 1978. Catholic. Good English.

TSOVOLAS, DIMITRIS

Minister of Finance. Deputy for Arta

Born 1942 near Arta. Studied law at Salonica University then practiced in Arta until 1977 when he was elected as PASOK Deputy.

As a Deputy he has been active in promoting PASOK's interests and before his ministerial appointment he was a lively parliamentarian. Since his appointment as Under Secretary of Finance in 1981 he has kept a low profile. But his promotion in 1984 to Alternate Minister following the resignation of Pottakis, and then to Minister of Finance in July 1985, suggest that he is well regarded.

Married with a son and a daughter.

CONFIDENTIAL

SIMITIS, PROFESSOR CONSTANTINE (COSTAS)

now Minister of National

previously Minister of Agriculture. Not a Deputy.

Economy

Born Athens 1936. Studied politics in Athens and law in Germany, where he later pursued an academic career. Spent two years at the LSE in the 1960s. Professor of commercial law at the Panteios Higher School of Political Science since 1977, he also maintained a commercial law practice in Athens. A founding member of "Democratic Defence" in 1967, he left Greece secretly in September 1969 and became a leading member of PAK in Germany. A founder member of PASOK, he was a member of the Central Committee and Executive Bureau and one of the party's leading ideologists until he fell out of favour with Papandreou in 1978. Much to his regret, he was not adopted as a parliamentary candidate in 1981, and his apparently sudden return to favour took many by surprise.

His removal from the Executive Bureau in 1978 apparently reflected concern about a possible challenge to Papandreou's authority. But, in or out of favour, Simitis has never wavered in loyalty to the party and its line. Intelligent with a strong personality but an unassuming manner. One of the most capable of the Government. His inner political convictions are difficult to fathom.

Married. Good English and German. Charming wife Daphne also speaks English.

ATHANASOPOULOS, NIKOS

Alternate Minister of Finance. Deputy for Salonica 'A'.

Born 1923 in Arkadia. Attended Patras Agricultural College and the University of Athens, where he studied law. Worked as Deputy Public Prosecutor at the Court of Appeal.

Elected Deputy in 1977, 1981 and 1985. Appointed to his present post in July 1985.

Married with two sons.

MACSHARRY, RAYMOND TD MEP

Fianna Fail Deputy and Honorary Treasurer.

Born Sligo 1948. Educated Summerhill College, Sligo. Member of Sligo County Council since 1967 and of Northern Western Health board since 1971. Deputy since 1969 for Sligo/Leitrim. Opposition front bench spokesman on the Office of Public Works 1973-75. Member, Committee of Public Accounts 1969-77. He was nominated as a Minister of State at the Department of the Public Service in December 1977, in recognition of his outstanding poll in the general election of June 1977. A loyal supporter of Mr Haughey, he was Minister for Agriculture from 1979-81 where he proved his ability.

A relatively competent Minister of Finance in 1982, he came unstuck when he was found to have bugged a meeting with an anti-Haughey deputy. Resigned from the front-bench. Mr Haughey's most loyal supporter in the leadership contests of 1982 and 1983, he is now regarded as a rising candidate for the succession to Mr Haughey. A hawk on Anglo-Irish relations, but argued for abstention on the Anglo-Irish Agreement, 1985.

Married Elaine Neilan. Three sons, three daughters.

MAURICE F DOYLE

Secretary, Department of Finance

Born in Dublin, 1932. Educated at the O'Connell Christian Brothers School; University College Dublin (BA in Economics), and Kings Inns Dublin (Barrister at Law).

Mr Doyle entered the Irish Civil Service as an Administrative Officer and, apart from two years in the Office of the Revenue Commissioners, has worked exclusively in the Department of Finance. He was involved in the preparation of Dr Whitaker's paper "Economic Development" which laid the foundation for Irish industrialisation and rapid economic growth. For a time he was Assistant Secretary to the National Industrial and Economic Council. He led the official Irish negotiating team on the establishment of the EC Regional Development Fund and was elected the Vice Chairman of the EC Regional Policy Committee. In 1976 he was appointed Second Secretary in charge of economic policy and in 1977 assumed responsibility for control of public expenditure. He was appointed Secretary of the Department on 1 November 1981.

He is an impressive official, frank and friendly. He has not been linked to either political party and has a civil servant's somewhat cynical view of the motives of his political masters.

He is married with two children.

AMATO, ONOREVOLE GIULIANO

Under-Secretary in Prime Minister's Office (Socialist).

Born at Turin in 1938, but lives in Rome. Professor of Constitutional Law at Rome University. Joined the PSI in 1958 and became a member of the Party Central Committee in 1978. Author of a number of books on constitutional questions. President of the Commission for the Review of the Office of the Prime Minister in 1979 and President of the Commission for the Reform of State Holdings in 1980. Has held university teaching posts in the USA.

Elected Deputy for Turin-Novara-Vercelli in June 1983. Diminutive, intelligent and very hard-working: known as "the subtle doctor". His big chance came after the 1983 elections when Craxi took him to Palazzo Chigi to be Secretary to the Council of Ministers (Cabinet). A follower of Giolitti (qv) and bitter critic of Craxi during the 1970's, he has now burnt his boats with the PSI left and become Craxi's right-hand man. In the absence of any formal structure for interministerial coordination, Amato has built up an active rôle for himself as Prime Ministerial "Chief of Staff". Respected for his skills in negotiation and public presentation of policy, he has played a central rôle at times of crisis (such as the Achille Lauro hijacking in 1985), and has general oversight under Craxi of coordination of action against terrorism.

Speaks English well.

SANTER, JACQUES

Prime Minister since July 1984

Minister of State, President of the Government, Minister of Finance, of National Development, and of Posts, Telecommunications and Information Technology. Leader of the Christian Social Party.

Born 1937. Education in Luxembourg, Strasbourg and Paris, where he obtained a doctorate in law. 1961-65 Lawyer at the Luxembourg Court of Appeal. 1963-65 worked as a Civil Servant in the Private Office of the (Socialist) Minister of Labour and Social Affairs. Government Attaché to the Ministry 1965. 1966 Secretary to the Christian Social Party's parliamentary group. 1970 Assistant General Secretary of the Party. 1972 State Secretary for Labour, Social Services and Culture. The same year became General Secretary of the Christian Social Party, and its President from 1974-84. Member of the Luxembourg Chamber of Deputies since 1974. Member of the European Parliament from 1974-79, when he was re-elected but appointed Minister of Labour, Social Security and Finance. Elected leader of the Christian Social Party in December 1983 in succession to Pierre Werner.

A strong performer on EC matters, he is now the doyen of EC finance ministers. He is able and friendly. Although in the past he was accused of lack of substance, he has shown himself a competent administrator and is growing in assurance. His public bonhomie conceals a good brain.

Speaks English but prefers French. COI visitor (1973).

Has an attractive and vivacious French wife who teaches biology, but is something of a liability for her husband's political prospects (eg in speaking not a word of Luxembourgish).

Minister of Labour. Minister Delegate for Finance, responsible for the Budget.

He is a lawyer. In 1979 he became Secretary of the Christian-Social parliamentary group and National President of the Christian-Social Youth Organisation. Appointed State Secretary for Labour and Social Security in December 1982 at the age of 28, the youngest ever member of a Luxembourg government.

A capable and forthright young man.

CONFIDENTIAL

CONFIDENTIAL

POOS, JACQUES

Vice-President of the Government, Minister of Foreign Affairs, Foreign Trade and Cooperation, of the Economy, of the Middle Classes and of the Treasury. (Socialist).

Born 1937. Educated Lausanne University where he obtained a Doctorate in Economic and Commercial Science. 1959-62 Attaché at Ministry of Economic Affairs; 1962-64 Head of Research at the Government Statistical Service. In 1964 appointed Director of the Socialist daily, 'Tageblatt', though he relinquished day-to-day editorial responsibility when elected to the Chamber of Deputies in 1974. He became Leader of the Parliamentary Group of the POSL in 1975 and in June 1976 was elected to the party's Executive Committee. Minister of Finance 1976, at the same time becoming a director of the World Bank, IMF and the EIB and of the Banque Continentale de Luxembourg and Paribas. Re-elected to the Chamber of Deputies in 1979, and appointed one of two Vice-Presidents of the Socialist Parliamentary Group. Led the POSL in the 1984 elections, gained the highest personal vote of all the candidates, and played a large part in the formation of the coalition with the PCS.

He is a clever, though rather vain man and an ambitious politician. As editor of the 'Tageblatt' he occasionally advocated extreme policies, but he mellowed after entering the Chamber of Deputies and proved an uncontroversial Minister of Finance.

His chief interests at the MFA are economic and financial matters. He leaves political affairs outside the EC largely to his State Secretary, but he has the reputation of always reading and commenting on his briefs and being willing to learn.

Has written several books on economic and financial matters. Married for the second time. His wife devotes herself to her family and seldom accompanies her husband to official functions. 3 children, one of them by the first marriage.

Speaks good English. His wife prefers French.

Honorary Minister of State (Christian Social).

Born near Lille in 1913. Educated in Paris. Doctor of Law (1938), but soon left the Bar for the Banque Generale. 1945 appointed Banking Control Commissioner. 1953 appointed Minister of Finance and (1954) of the Armed Forces. Prime Minister from 1959 of successive coalition governments; with the Democrats (1959-64 and 1969-74); and with the Socialists (1964-69).

A very impressive public servant who has commanded widespread respect and esteem during his long years of office, not least for the patience he showed in allowing decisions to emerge by consensus. An excellent speaker. In the 1974 elections his party lost a number of seats and though it was still the largest party, he decided to resign, devoting a year to the organisation of the party. The considerable success of his Party in the 1979 elections was largely due to his efforts. Following M Thorn's departure from Luxembourg politics at the end of 1980, M Werner's commanding political position increased and there was general regret when he left politics after the 1984 elections. He is extremely well-informed on Luxembourg affairs but since his retirement he seems to have lost some of his interest in politics, and tires more easily.

He is well-known internationally as a speaker and writer, especially on financial matters. Much of the credit for the growth of Luxembourg as a financial centre belongs to him. Paid an official visit to the UK with his wife in October 1982.

M Werner has a relaxed, friendly, open and attractive personality. He inspires confidence with his peasant shrewdness and sophisticated intelligence. From 1979 to 1984 he was Prime Minister and Minister of Culture, Religious Affairs, Information and the Press, Development and the Treasury. He speaks fluent English and listens to the BBC every morning. He understands better than most the British way of doing things. He is a devoted family man, fond also of music (he is a good pianist) and gardening. His wife died in January 1984 after a long illness. 5 children.



DR H O C R RUDING (CDA)

Minister of Finance (since November 1982) *for the Netherlands*

Born in Breda in August 1939. Grew up in a Catholic family. Studied at the Rotterdam School of Economics (later Erasmus University). 1965 to 1970 Head of the International Monetary Affairs Division of the Ministry of Finance. 1971 to 1977 Managing Director of the AMRO Bank in Amsterdam. 1977 to 1980 Executive Director of the IMF in Washington. 1980 to 1982 member of the Board of Management of the AMRO Bank.

A friend of the new Prime Minister, Lubbers, from University days. Ruding was first offered the Finance Ministry in 1980 when Andriessen resigned, but on that occasion he turned it down.

CONFIDENTIAL

Dr Miguel Jose Ribeiro Cadilhe

Minister for Finance

Born 10 November 1944 in Barcelos. Graduated in Economics at the University of Porto and did research at the London School of Economics. Has pursued a career teaching and writing about economics before serving as Secretary of State for Planning between 1981 and 1983, and subsequently headed the Department of Economic and Financial Studies of Banco Portugues Do Atlanttico in Oporto. Friendly and intelligent, though his approach can seem more academic than practical. Speaks fair English.

Married (Antonia) with one son.

SOLCHAGA CATALAN, CARLOS

Economy and Finance Minister since 4/7/85
Minister for Industry and Energy since 1982; PSOE Deputy for Alava since 1979.

Born 1944 in Navarre. After reading Economics at Madrid University entered the research department of the Bank of Spain. While in the Bank spent two years at the MIT in Cambridge, Massachussets, doing further research. With the Bank of Spain until 1974, when he joined the Research Department of the State industrial holding, INI, for a brief spell. Began to take an active interest in politics in early 1975, when he joined both the PSOE and the UGT. Head of the Research Department of the Banco de Vizcaya in Bilbao in 1975-77. Joined the Basque Socialist Party in 1978, and elected to the Executive.

An intelligent and fluent speaker, he was one of the leading lights of the PSOE in Congress debates on the economy. He made his name during the debates on the vote of censure motion against Suarez (q.v.) in May 1980. He was influential in drafting the PSOE's economic programme before the 1982 elections.

As Industry Minister he has borne the brunt of criticism arising from the government's programme of industrial restructuring in the steel and shipbuilding sectors. Gonzalez (q.v.) refused his offer to resign in 1983, when criticism reached a peak. Solchaga's talent is unquestioned and in the event of a government reshuffle he would expect another job.

Married with two children. Speaks English and French.

ERSBØLL, NIELS (DANISH)

Secretary-General of the Council since October 1980.

Born 1926. Graduated in Law. Joined MFA 1955, served Paris (Mission to NATO) 1958-60, EFTA Secretariat, Geneva 1960-63 MFA 1964-73. Permanent Representative to EC 1973-77. Second Permanent Secretary for Foreign Economic Affairs in the Ministry of Foreign Affairs 1977-80, responsible for economic and Community affairs. Chairman of the International Energy Agency in Paris 1979-80.

A charming man, who speaks excellent English. Always calm, courteous and intelligent. He had much to do to clear up the staff troubles which his predecessor bequeathed to him.

Married; his wife is an economic journalist.

Confidential

*President of the Commission since January 1985.
Responsible for monetary affairs*

DELORS, JACQUES

Minister for the Economy and Finance. (Ministre de l'Economie et des Finances).

Born 1925. Worked for the Banque de France and later the Economic and Social Council. Counsellor for Social Affairs in the Commissariat-Général of the Plan, 1962-68. A member of the French equivalent of the Consumers' Association (a Government body) 1968-70. Secretary-General of the Inter-ministerial committee for Industrial Training and Social Affairs 1969-73. Appointed adviser to the Prime Minister on Social and Cultural Affairs, June 1969 and from 1971-72 Chargé de Mission in the Cabinet of M. Chaban-Delmas when he played an important part in the development of Chaban's 'new society' policy. M. Delors is in particular credited with the idea of long term progressive wage contracts (contrats de progrès) in the public sector. He left the Inter-Ministerial Committee in 1973 to take a position at the University of Paris-Dauphine where he lectured on social policy and became an Associate Professor. Founded the 'Association 1973-80' to study economic, social and environmental planning in 1973. Member of the Board of the Bank of France, 1973-79. Joined the PS at the time of the Presidential election in 1974. 1976-81 he was the Party's National Delegate for international economic affairs. Elected an MEP in 1979, he was President of Economic and Monetary Commission of the European Parliament. During the 1981 Presidential election campaign, he acted as one of M. Mitterrand's principal advisers on economic affairs. Member of Management Committee of the PS since 1981. Appointed to present post May 1981.

Although a member of the Mitterrand faction, M. Delors is on the social-democratic wing of the PS. He is therefore suspect to his colleagues on the Left. But he retains M. Mitterrand's ear.

Delors is intelligent, hard-working and pleasant to deal with. His background is modest (he is of Christian trade union stock).

Married with 2 children. Has a slight knowledge of English.

Lord COCKFIELD

Vice President of the Commission - responsible for Internal market, taxation, financial institutions

Francis Arthur Cockfield. Born 28 September 1916.

Married Aileen Monica Mudie, choreographer. Created Life Peer 1978.

Graduate London School of Economics (LLB, BSc (Econ)). Called to the Bar (i.e. qualified as Barrister) 1942. Cabinet Minister since 1982.

Previous appointments: Home Civil Service, Inland Revenue 1938; Assistant Secretary to Board of Inland Revenue 1945; Director of Statistics and Intelligence to Board of Inland Revenue 1945-1952; Commission of Inland Revenue 1951-1952; Financial Director, then Managing Director and Chairman of Executive Management Committee, Boots Pure Drug Co 1953-1967; Member National Economic Development Council 1962-1964 and 1982-1984; Member, Court of Governors of University of Nottingham 1963-1967; President, Royal Statistical Society 1968-1969; Adviser on Taxation Policy to Chancellor of Exchequer 1970-1973; appointed Honorary Fellow, London School of Economics 1972; Chairman, Price Commission 1973-1977; Minister of State, HM Treasury 1979-1982; Secretary of State for Trade 1982-1983.

CHRISTOPHERSEN, HENNING

Since January 1985 Vice President of the Commission
 Responsible for Budget- Financial control

Finance and Deputy Prime Minister
 September 1982 - 1984

Personnel and administration

Born 1939. Graduated in political science 1965. Head of the Industrial Economy Division of the Artisans Council 1965-70. Principal of a liberal 'high school' 1971-72. Subsequently an economic consultant for various organisations and an economic and political journalist for the leading weekly 'Weekendavisen'. Member of the Folketing since 1971. Deputy chairman of the Venstre (Liberal) Party Organisation from 1972-77, when he became provisional chairman on Mr Poul Hartling's departure. He was confirmed in office at the Party Congress in September 1978. Visited Britain as a FCO sponsored visitor 1975. Minister of Foreign Affairs 1978-80.

Although his previous experience was more with internal than external affairs he took the Foreign Ministry as the senior post offered to Venstre in the coalition Government formed in August 1978. Although not formally appointed Deputy Prime Minister, he deputises for the Prime Minister in the latter's absence. During the difficult early stages of the coalition, he had to give much of his attention to party and government business centering on domestic economic and financial issues. But his senior officials soon spoke admiringly of his rapid grasp of foreign affairs briefs. Venstre is the most pro-European of Danish political parties and Mr Christophersen takes a keen personal interest in work in Brussels as well as in political cooperation.

He displayed courage and political skill in bringing about a major realignment in policy within his party, and grew in public esteem during the negotiations for the formation of the coalition. The odds must be that he will be prominent on the Danish political scene for many years to come.

Personally friendly, with more than passable English. Married. His wife's sister is the widow of Sir Donald Hopson.

Vice President of the Commission
responsible for agriculture and forestry

ANDRIESSEN Frans H.J.J.

born on 2 April 1929 at Utrecht - Married: 4 children

- 1951 Degree in law at the State University of Utrecht;
- 1954 to 1972 Discharged various duties at the Catholic Institute for Housing (last position held: Director)
- 1958 to 1967 Member of the Utrecht Provincial States
- 1967 to 1977 Member of the Second Chamber of the States-General (specializing initially in matters relating to low-cost housing)
- 1971 to 1977 President of the KVP Group of the Second Chamber
- 1977 to 1979 Minister for Finance
- 1980 Member of the First Chamber of the States-General (Senate)
- 6.1.81 Member of the Commission of the European Communities with responsibility for relations with the European Parliament and for the competition sector

Mr Andriesen is a knight of the Order du Lion Néerlandias and an officer of the Order of Orange-Nassau.

.../...

DE CLERCQ, WILLY

Member of the European Commission since Jan 1985

Former Deputy Prime Minister, Minister of Finance and Foreign Trade. Former President of the PVV. Former Minister of Finance in the 1974-77 Tindemans government. President of the Liberal group to European Parliament since 1981. Chairman of IMF's Interim Committee. He is to be the next Belgian member of the European Commission.

Born 1927.

A brilliant student, and Doctor of Law summa cum laude. Studied at Syracuse, USA (MA in Social Sciences). He is a lawyer. He entered politics when he was very young, and became a town councillor of Ghent in 1952. He entered Parliament in 1958 and was elected leader of the PLP Parliamentary group after the elections of May 1965. In 1960 he was an Under-Secretary in charge of the Budget in the Eyskens government. He was Deputy Prime Minister in charge of the Budget under Vanden Boeynants and established a reputation as an able economist. In 1973 Leburton re-appointed him Deputy Prime Minister and Minister of Finance and he continued to hold the latter post during the Tindemans government (1974-77). During the Belgian EC Presidency in 1977 his handling of the Finance Ministers' meetings was much superior to the performance of his colleague, Foreign Minister Van Elslande. He enjoys considerable popular support in Ghent and was largely responsible for the PVV's gains in the communal elections of 1976. However, in the April 1977 national elections, De Clercq unexpectedly failed to be re-elected, partly because of the unpopular economic measures he had had to take as Minister of Finance, but, more importantly, because of his long-standing friendship with a local judge, who had shortly before the elections, been arraigned on corruption charges. He is considered to be a moderate Fleming and tolerant in his general outlook.

Friendly, speaks good English. His intelligent wife (also a lawyer) helped to run his chambers when he was a Minister, and is involved in PVV activities in the Ghent area.

CONFIDENTIAL

PETER SCHMIDHUBER

EC Commissioner since 1987

Responsible for economic affairs

Born 1931 in Munich. Studied jurisprudence and economics. Civil Servant in Bavaria from 1961. CSU member of Bundestag from 1965-69 and 1972-78. Member of the Bavarian Land Parliament and Bavarian Minister for Federal issues since 1979. In this capacity he represented Bavaria in Bonn and presided over the Bavarian EC Information Bureau in Brussels.

Although he carried out his representational duties in Bonn fully, he began to look as if he no longer enjoyed the full confidence of Franz Josef Strauß, the Bavarian Prime Minister and Chairman of the CSU, who took to using other channels for his dealings with Kohl. Schmidhuber's career in FRG politics thus seemed blocked, and he was probably not sad to succeed Alois Pfeiffer in September 1987.

An intelligent, thoughtful and rather introspective man with an interest in art and a small private picture collection. Married.

CURRICULUM VITAE

OF

Mr Peter M. SCHMIDHUBER

=====

Born: 15 December 1931 in Munich, Roman Catholic, widower, one daughter

1951: School-leaving examination

Studies in Law and Economics at the University of Munich

1955 Bachelor of Economic Science Examination

1956 First State examination in law

1960 Second State examination in law

1961-1972 Worked in the Bavarian Ministries of State for Finance (Legal Department), Economics and Transport (Fiscal Law and Competition Law); finally, head of sub-division for competition

1969-1971 Head of Department in an industrial federation

Since 1972 Lawyer in Munich

Since 1952 Member of the CSU (Christian Social Union)

Various party offices, including member of the executive federal board of the CDU (Christian Democratic Union)/CSU Association of the Middle Classes, Member of the CSU "Land" executive board

From 1960-1966 honorary councillor of the "Land" capital, Munich

From 1965-1969 and from 1972-1978 Member of the "Bundestag" (Federal Lower House of Parliament)

Member of, inter alia, the Economic Committee (responsible for competition law and Middle Classes issues) and of the Fiscal Law Reform Committee and the Economic Criminality Prevention Committee; member of the Council of Europe and of the WEU (Western European Union) Assembly

Since 1978, Member of the Bavarian Parliament

Since 9 November 1978, Bavarian Minister of State for Federal Affairs and Federal Government representative of the Bavarian Free State

Since 1978 Member of the "Bundesrat" (Federal Upper House of Parliament), of the Mediation Committee of the Federal Lower and Upper House and of the North Atlantic Assembly.

EUROPEAN COMMUNITIES
THE COUNCIL

Brussels, 30 November 1987

Mark Parkin *AMT*
2/11

10016/87
RESTREINT

FISC 79

PRESIDENCY NOTE

to ECOFIN COUNCIL
of 7 December 1987

No. Prev. doc. 9586/87 FISC 74

Nos Clon props 11176/84 FISC 110
COM(84) 649 final
+ COR 1 (d)
7422/87 FISC 36
COM(87) 272 final

Subject : Proposal for an 18th VAT Directive
- Presidency's compromise

Following the ECOFIN Council of 16 November 1987, the Permanent Representatives Committee has pursued the examination of the above-mentioned proposal.

In the light of this examination, the Presidency has slightly modified its compromise text submitted to the ECOFIN Council on 16 November.

Delegations will find herewith the amended version of this compromise text.

.../...

Amended text of the Presidency's compromise
for an 18th VAT Directive

Article 1

1. With effect from 1 January 1989, the following transactions shall be deleted from Annex E to Directive 77/388/EEC :

- E 1. Transactions referred to in Article 13A(1)(a) insofar as they relate to parcel post services;
- E 3. Transactions referred to in Article 13A(1)(f) other than those of groups of a medical or paramedical nature;
- E 4. Transactions referred to in Article 13A(1)(m);
- E 5. Transactions referred to in Article 13A(1)(n);
- E 6. Transactions referred to in Article 13A(1)(p);
- E 8. Transactions referred to in Article 13B(d)(2) insofar as they relate to the services of intermediaries;
- E 9. Transactions referred to in Article 13B(d)(5) insofar as they relate to the services of intermediaries;
- E 10. Transactions referred to in Article 13B(d)(6);
- E 12. Supplies of goods referred to in Article 15(2);
- E 13. Transactions referred to in Article 15(6) and (9);
- E 14. Supplies of goods referred to in Article 15(12).

2. ~~However~~ However, Member States are authorized to apply the conditions of Article 13 A.2(a), final indent, of Directive 77/388/EEC to all supplies envisaged in Article 13 A.1(m) and (n) of the Directive, including supplies by bodies governed by public law.

.../...

- 3 -

Article 2

1. With effect from 1 January 1989, the following transactions shall be deleted from Annex F to Directive 77/388/EEC:
- F 3. Supply of services by means of agricultural machinery for individual or associated agricultural undertakings;
 - F 11. Services of experts in connection with insurance claim assessments;
 - F 13. Management of credit and credit guarantees by a person or a body other than the one which granted the credits;
 - F 14. Debt collection;
 - F 15. The safekeeping and management of shares, interests in companies and associations, debentures and other securities or negotiable instruments, excluding documents establishing title to goods or securities referred to in Article 5(3);
 - F 18. The supply, modification, repair, maintenance, chartering and hiring of commercial inland waterway vessels and the supply, hiring, repair and maintenance of equipment incorporated or used therein;
 - F 19. Supplies of some capital goods after the expiry of the adjustment period for deductions;
 - F 20. Supplies of recuperable material and fresh industrial waste;
 - F 21. Goods for the fuelling and provisioning of private boats proceeding outside the national territory;
 - F 22. Goods for the fuelling and provisioning of aircraft for private use proceeding outside the national territory;
 - F 24. The transport of goods on the Rhine and the canalized Moselle, and transactions linked thereto.
2. With effect from 1 January 1991, the following transaction shall be deleted from Annex F to Directive 77/388/EEC:
- F 4. Supply of greyhounds and thoroughbred horses.

- 4 -

Article 3

Portugal may defer until 1 January 1994 at the latest the date referred to in Article 2 (1) for the deletion of point 3 from Annex F.

Article 4

The Council shall decide, before 1 January 1989, on the deletion of the remaining derogations in Article 28.3 of Directive 77/388/EEC.

Article 5

In respect of the transactions referred to in the preceding Articles, Member States may take measures concerning deduction of value added tax in order totally or partially to prevent the taxable persons concerned from deriving unwarranted advantages or sustaining unwarranted disadvantages.

Article 6

1. Member States shall bring into force the measures necessary to comply with this Directive not later than the dates laid down in Articles 1, 2 and 3.
2. Member States shall inform the Commission of the provisions which they adopt for the purpose of implementing this Directive.

Article 7

This Directive is addressed to the Member States.

Draft statements for the Council minutes

1) Re Article 1, point E5

"The Council and the Commission state that transactions not closely linked to the cultural services referred to in Article 13A(1)(n) of the 6th VAT Directive shall be taxed."

2) Re Article 2, points F18 and F20

"The Council and the Commission agree that, notwithstanding deletion of these points from Annex F by this Directive, Member States may continue to apply existing special derogations of which they have notified the Commission in accordance with Article 27(5) of Directive 77/388/EEC."

3) Re Article 2, point F20

"The Council and the Commission agree that they will consider favorably a request from France, on the basis of Article 27(1) to (4) of Directive 77/388/EEC concerning a derogation based on the following principle :

Sales, commission and brokerage operations relating to fresh industrial waste and recuperable material shall be subject to value added tax on the authorization of the competent tax authority.

This authorization may be subject, inter alia, to the following conditions: permanent installation, adequate annual turnover, the possible provision of a sufficient security."

EUROPEAN COMMUNITIES

Brussels, 30 November 1987

THE COUNCIL

10016/87
RESTREINT

FISC 79

*Mark Parkinson AMT
2/11*

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to ECOFIN COUNCIL
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This authorization may be subject, inter alia, to the following conditions: permanent installation, adequate annual turnover, the possible provision of a sufficient security."

RESTRICTED

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PREDICTABLY QUESTIONED THE NECESSITY FOR A TAX ON WINE.

4. HARMONISATION OF TAX STRUCTURES WAS CONSIDERED DESIRABLE, BUT THE SPREAD OF THE PROPOSED VAT RATES, PARTICULARLY THE STANDARD RATE (14-19 PER CENT), WAS CONSIDERED TOO BROAD BY NETHERLANDS AND FRANCE.

5. THE PROBLEMS WHICH WOULD BE CAUSED FOR MANAGEMENT OF FISCAL POLICY (BALANCE BETWEEN DIRECT TAX AND INDIRECT TAX, REVENUE CONSEQUENCES) WERE AMPLY COMMENTED ON, AS WAS THE LACK OF ANY FIGURES SHOWING THE ECONOMIC IMPACT OF THE COMMISSION'S PROPOSALS BOTH SECTORALLY AND GLOBALLY FOR EACH MEMBER STATE.

6. AFTER REFLECTING OVERNIGHT ON DELEGATIONS' COMMENTS THE CHAIRMAN (MILLERON) SKETCHED OUT THE SORT OF INTERIM REPORT WHICH HE INTENDED TO PRESENT, ON HIS OWN AUTHORITY, TO THE ECOFIN COUNCIL ON 7 DECEMBER, DESCRIBING IN GENERALLY NEUTRAL TERMS THE FIRST REACTIONS OF EPC, THE WORK WHICH STILL HAD TO BE UNDERTAKEN, IDENTIFYING SOME OF THE DIFFICULT AREAS, AND AIMING FOR A FINAL REPORT DURING THE NEXT THREE MONTHS. DENMARK HAD SOME HESITATIONS ABOUT THE REACTION OF THE PRESIDENT OF THE ECOFIN COUNCIL TO THIS APPROACH, AND QUESTIONED WHETHER SUCH A REPORT WAS REALLY USEFUL. BUT MILLERON STUCK TO HIS GUNS, AND PROMISED A FULL TEXT BY 2 DECEMBER.

7. OUTLINE OF CHAIRMAN'S REPORT TO ECOFIN CONTAINED IN MIFT.

HANNAY

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INFO ROUTINE EUROPEAN COMMUNITY POSTS

FRAME ECONOMIC

INDIRECT TAX APPROXIMATION: MEETING OF THE ECONOMIC POLICY
COMMITTEE (EPC) : 26/27 NOVEMBER 1987

SUMMARY

1. MAJORITY OF DELEGATIONS CLAIM TO SUPPORT THE GENERAL OBJECTIVE OF APPROXIMATING INDIRECT TAXES AS A CONTRIBUTION TO COMPLETING THE INTERNAL MARKET, BUT IDENTIFY MANY AREAS WHERE FURTHER IN-DEPTH STUDY REQUIRED OF COSTS AND BENEFITS OF COMMISSION'S PROPOSALS. COMMISSION'S STUDY OF COSTS OF 'NON EUROPE' (AVAILABLE BY THE END OF JANUARY 1988) SHOULD HELP TO QUANTIFY GAINS AND LOSSES. CURRENT VAT SYSTEM ACCEPTED AS BROADLY NEUTRAL IN COMPETITION TERMS FOR TRADE BETWEEN MEMBER STATES. DESPITE HESITATIONS FROM DENMARK, EPC CHAIRMAN TO PRESENT AN INTERIM REPORT (ROUGH TEXT IN MIFT) ON HIS OWN AUTHORITY, TO 7 DECEMBER ECOFIN COUNCIL. AIM IS TO COMPLETE WORK BY BEGINNING OF MARCH 1988.

DETAIL

2. ALL DELEGATIONS GAVE THEIR PRELIMINARY VIEWS ON THE DESIRABILITY AND NECESSITY OF THE COMMISSION'S PACKAGE OF TAX APPROXIMATION PROPOSALS. UK, ITALY, DENMARK AND LUXEMBOURG REMAINED THE MOST RESERVED ABOUT THE NECESSITY OF FISCAL APPROXIMATION AS A PRE-REQUISITE FOR THE COMPLETION OF THE INTERNAL MARKET, BUT AGREED WITH OTHER DELEGATIONS THAT PROGRESS ON DEVELOPMENT OF THE INTERNAL MARKET WAS OF MAJOR IMPORTANCE. EVEN THE COMMISSION'S OWN STUDIES SUPPORTED THE VIEW THAT THE CURRENT VAT SYSTEM WAS NOT DISTORTIVE IN INTRA-COMMUNITY TRADE (EXCEPT FOR VAT EXEMPT TRADERS), AND THAT DIFFERENT VAT RATES WERE NOT AN IMPORTANT FACTOR IN CONSUMER PRICE DIFFERENCES.

3. MOST DELEGATIONS COMMENTED ADVERSELY ON THE PROPOSED VAT CLEARING MECHANISM, CONSIDERING IT UNDULY BURDENSOME AND BUREAUCRATIC. THE EXCISE DUTY PROPOSALS ALSO CAME IN FOR CRITICISM ON THE GROUNDS THAT THE INTERACTION WITH BROADER POLICIES, EG HEALTH, TRANSPORT, ENVIRONMENT, NEEDED MUCH MORE STUDY, AS WELL AS THE POTENTIAL EFFECTS ON THE INDUSTRIES INVOLVED. GERMANY

PAGE 1
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From: SIR PETER MIDDLETON

Date: 1 December 1987

MR M PARKINSON

cc PS/Chancellor
PS/Paymaster General
Sir G Littler
Mr Byatt
Mr A Edwards
Mr Odling-Smee
Mr Mortimer
Mr S J Davies
Mr C Kelly
Mr D Savage

Mr Bostock - UKREP

CO-ORDINATING GROUP: 30 NOVEMBER

I attended the EC Co-ordinating Group yesterday. The meeting was preceded by an informal lunch. The main point to record was that I explained that while we were not against co-ordinated action, the proposed co-ordinated fiscal response was subject to a number of objections. I identified three:

- (a) deficits were easy to get up and difficult to get down. This was a fundamental point. We should hesitate before causing structural problems by inviting people to increase their deficits unless there were overwhelming reasons for doing so;
- (b) so far as timing was concerned, it was extremely difficult to organise concerted budgetary action to actually deal with the problems to which it was supposed to be directed. The chances of getting timing wrong were overwhelming;
- (c) the appropriateness of fiscal policy action could not be assessed simply by investigating

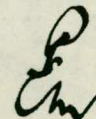
the figures for the deficit. They needed to be looked at in relation to the attendant circumstances. What else was happening in the economy? What was happening on the monetary front? What was happening on the external front?

Though the Co-ordinating Group was not the place to discuss specific amendments, the changes to paragraph 65 and 70 were ones which we would want to insist on.

2. These propositions were agreed to in varying degrees by the French (strongly), the Germans, the Dutch (strongly), the Spanish and the Portuguese. Only the Irish seemed to be in favour of a widespread fiscal expansion.

3. The other point which was raised first by the French, but also by other delegations, was that the sections on monetary policy presently indicated that interest rates should be being raised unless some way could be found of making it clear that the exchange rate was a factor to be taken into account in assessing the monetary position.

4. I left it in no doubt that we regarded paragraph 65 and 70 as unacceptable at present. The Commission may well be willing to change the drafting in the light of the discussion. This should clearly be followed up. But if we cannot get these changes, I think we should pursue the matter all the way to the Council.



P E MIDDLETON

X
9. ON TAX APPROXIMATION, MILLERON (EPC CHAIRMAN) WOULD BE PRESENTING AN ORAL INTERIM REPORT AT HIS OWN REQUEST. (THERE WAS NO INDICATION IF THERE WOULD BE ANY SUBSEQUENT DISCUSSION ENCOURAGED: ONE PRESUMES NOT AND THAT THE PRESIDENCY WILL SIMPLY REMIT THE PACKAGE BACK TO THE EPC FOR A FINAL REPORT).

10. THE 18TH VAT DIRECTIVE WAS NOT MENTIONED SPECIFICALLY BUT DISCUSSION WILL BE BASED ON A SLIGHTLY REVISED TEXT.

11. ON PROSPECTUSES AND MAJOR SHAREHOLDINGS BOTH OF WHICH A NUMBER OF DELEGATIONS (INCLUDING OURSELVES) CONSIDERED SHOULD NOT BE ON THE AGENDA, ESPER LARSEN SAID FINAL DECISION SHOULD BE LEFT TO COREPER (DEPUTIES) WHO WERE DUE TO DISCUSS THESE TWO ITEMS LATER.

12. SUBSEQUENTLY AT COREPER (DEPUTIES), MAILAND CHRISTENSEN (PRESIDENCY) CONFIRMED THERE WOULD ONLY BE A PROCEDURAL DISCUSSION ON PROSPECTUSES STATING THAT PROGRESS HAD BEEN MADE UNDER THE DANISH PRESIDENCY ON THE VARIOUS MAIN ISSUES (INCLUDING EUROSECURITIES) BUT THAT THE DIRECTIVE WAS NOT QUITE READY FOR ADOPTION AND WORK SHOULD BE FINISHED DURING THE GERMANY PRESIDENCY.

13. AS REGARDS CHANGES IN MAJOR SHAREHOLDINGS, AFTER WEIGHING UP DELEGATIONS' COMMENTS ON TIMING, MAILAND CHRISTENSEN DECIDED TO TAKE THIS PROPOSAL OFF THE 7 DECEMBER ECOFIN AGENDA AND TAKE IT INSTEAD TO THE 18 DECEMBER INTERNAL MARKET COUNCIL.

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MR J H HOLROYD CAB OFF

MR PERETZ TRSY
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COREPER (AMBASSADORS) 2 DECEMBER 1987
PREPARATION FOR THE 7 DECEMBER ECOFIN COUNCIL

SUMMARY

1. AGENDA CONFIRMED: MAIN ITEM TO BE ANNUAL ECONOMIC REPORT 1987-8
2. PROCEDURAL DISCUSSION ONLY ON PROSPECTUSES: CHANGES IN MAJOR SHAREHOLDINGS PROPOSAL MOVED TO INTERNAL MARKET COUNCIL ON 18 DECEMBER.
3. ORAL INTERIM REPORT BY EPC CHAIRMAN ON TAX APPROXIMATION.
4. COPENHAGEN FOLLOW UP TO BE DECIDED AT THE LAST MINUTE.
5. LUNCH AT 1300 HOURS TO PRECEDE FORMAL SESSION AT 1430.

DETAIL

6. FOLLOWING TODAY'S MEETINGS OF COREPER I AND II, THE AGENDA IS AS FOLLOWS:
 1. FOLLOW-UP TO EUROPEAN COUNCIL
 2. ANNUAL ECONOMIC REPORT 1987-88
 3. ABOLITION OF FISCAL FRONTIERS (ORAL REPORT ONLY)
 4. 18TH VAT DIRECTIVE
 5. PROSPECTUSES (PROCEDURAL DISCUSSION ONLY)
 7. ESPER LARSEN (PRESIDENCY) THOUGHT THERE WOULD UNDOUBTEDLY BE A FOLLOW UP TO THE EUROPEAN COUNCIL, BUT THIS COULD ONLY BE DECIDED AFTER THE EVENT.
 8. THE ANNUAL ECONOMIC REPORT WOULD BE THE MAIN ITEM IN THE FORMAL SESSION: FOLLOWING THE MEETING OF THE COORDINATING GROUP ON 30 NOVEMBER, THE COMMISSION WERE HOLDING BILATERALS WITH MEMBER STATES TO SORT OUT DETAILS AND THUS SMOOTH THE PATH TO ADOPTION.

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MR PARKER CAB OFF
MR C R BUDD CAB OFF
MR ALTY CAB OFF
PS/CHANCELLOR TRSY
PS/PAYMASTER GENERAL TRSY
SIR GEOFFREY LITTLER TRSY
MR J E MORTIMER TRSY
MR M. MERCER, TRSY
MR BYATT TRSY

MR LOUGHEAD DTI
MR GREEN DTI
MR LOWRY DTI
MR WORMAN DTI
MR NEWMAN DTI
MR KIRBY BOE
MR ARROWSMITH BOE
RESIDENT CLERK

NNNN

FROM: P S HALL

DATE: 3 December 1987

1. MRS LOMAX *RL 3/12*
2. CHANCELLOR

cc: PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Sir G Littler
Mr Cassell
Mr A Edwards
Mr Ilett
Mr Mercer
Mr Mortimer
Miss Noble
Mr Board
Mr Parkinson

LETTER FROM DUTCH FINANCE MINISTER ABOUT PROPOSED DIRECTIVE ON DISCLOSURE OF MAJOR SHAREHOLDINGS

Dr Ruding, the Dutch Finance Minister, wrote to you last week asking you to consider changing the UK's line on the draft Disclosure of Major Shareholdings Directive, from (lukewarm) support to opposition. The UK vote is needed for the Dutch and Germans to have a blocking minority.

2. This is, of course, more a matter for Lord Young than for you. And, since Dr Ruding wrote, the Directive has been taken off the ECOFIN agenda. It will now be taken at the Internal Market Council on 18 December. However, since we had already talked to DTI about this, and Dr Ruding may raise the issue in the margins of ECOFIN, you might like to send Dr Ruding a short reply. Although fairly non committal, this could give him some encouragement, at least for the short-term. I attach a draft which has been cleared with DTI officials.

Background

3. The proposal would require disclosure of major shareholdings in listed EC companies. There would be 5 thresholds for disclosure starting at 10%, compared to 96 starting at 5% under UK law.

4. The UK has supported the underlying principle of the Directive since it is already established in much stricter form in UK company law. But the current text is very limited and will achieve very little. For example, concert parties and "dawn raids" are not prohibited. Moreover, it has been rushed through by the Danish Presidency, so DTI have not been able properly to assess the effects on the existing UK system of disclosure. For these reasons, DTI have worked with the Dutch and Germans in an attempt to extend the timetable. The Danes, however, remain committed to seeking adoption during their Presidency.

Problems over UK position

5. Dr Ruding's letter comments that the Commission is seeking harmonisation of securities regulations which have nothing to do with the internal market. On the face of it he has a point: the disclosure of shareholdings Directive was not in the Commission's Internal Market paper. And DTI concede that while it is not irrelevant, it is peripheral, like some of the general company law proposals.

6. We have not been involved in work on this Directive at all so far. It is very much DTI territory. Their attitude is that we are not able yet to give a firm commitment to the Dutch that we will oppose adoption in the Internal Market Council. This is for two reasons.

7. First, we do not share the Dutch and German opposition to the principle of the Directive. If the text were improved and we were able to work to a proper timetable, we could approve it. Second, there has been some progress on UK problems with the Directive this week (largely at French instigation). Although this has almost certainly not been enough to make us content with the text, DTI Ministers have not yet been able to assess progress. Moreover, we have come under pressure from the French to approve the Directive during the Danish Presidency (the French have seen this as part of a quid pro quo for now being supportive on liberalisation of insurance). Pleasing the Dutch and Germans may involve upsetting the French (and, for what it is worth the Danes). It might be necessary, when explaining our position to the French, to agree to encourage the Germans to seek agreement to this

disclosure Directive during their Presidency.

Recommendation

8. The current DTI view is that the UK will oppose adoption at the Internal Market Council, but DTI Ministers will be reconsidering this in the light of what could be achieved over the next two weeks. The reply to Dr Ruding has therefore to be slightly cautious. I attach such a draft. I also advise sending a Private Secretary letter to Lord Young's office covering a copy of this correspondence, and attach a draft PPS letter.

PSH

P S HALL

DRAFT LETTER FROM THE CHANCELLOR TO:

Dr H O C R Ruding
Minister van Financien
Casuariestraat 32
2511 VB Den Haag
Netherlands

Thank you for your letter about the proposal for a Directive on information to be published on major holdings in listed companies.

As you will know, this proposal is now to be discussed at the Internal Market Council on 18 December. My colleague David Young, the Secretary of State for Trade and Industry, has Ministerial responsibility for the proposal in the UK.

Although the UK has expressed support for the underlying principle of the Directive, we are concerned that the proposal has not been properly discussed in the Council Working Party. We also doubt whether the Directive in its current form achieves enough to justify the difficulties that it may cause. Although the Government has yet to make a final decision, my feeling is that we will find it very difficult to approve the Directive in anything like its present form on 18 December.

NIGEL LAWSON

DRAFT LETTER FROM THE PRINCIPAL PRIVATE SECRETARY

TO:

T E H Walker Esq
Principal Private Secretary to the
Secretary of State for Trade and Industry
1 Victoria Street
LONDON

PROPOSED DIRECTIVE ON DISCLOSURE OF MAJOR
SHAREHOLDINGS: CHANCELLORS CORRESPONDENCE WITH
DR ONNO RUDING

Dr Ruding, the Dutch Finance Minister, wrote to the Chancellor last week to express his concern about the proposed Directive on disclosure of major shareholdings and to seek UK support for opposing its adoption.

The proposed Directive is now to be discussed at the Internal Market Council on 18 December, and not at ECOFIN on 7 December, so your Ministers will be presenting the UK's position. However, the Chancellor has sent Dr Ruding a reply, which was agreed in draft between Treasury and DTI officials, and I attach a copy of the correspondence.

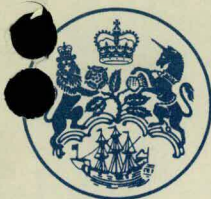
I am copying this letter to [Lyn Parker] Foreign and Commonwealth Office.

A C S ALLAN

BRIEF
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BRIEF D

3/12/87.



ECOFIN, 7 DECEMBER 1987

**DIRECTIVE ON PROSPECTUS TO BE PUBLISHED WHEN
TRANSFERABLE SECURITIES ARE OFFERED TO THE PUBLIC**

Relevant documents: 8938/87 (latest text), meeting document no.4 of 24 November 1987 (Secretariat's compromise on Eurosecurities), IPMA letter of 20 November to the Commission.

UK OBJECTIVES

1. To note Presidency statement on progress; agree remit to Working Party for further discussion, but without commitment to particular deadline for adoption.
2. If there is substantive discussion on 'Eurosecurities' (securities distributed in more than one state through banks and other financial institutions), to ensure Working Party is instructed to exclude these from the directive on the basis of a definition fairly close to that proposed in Working Document 4 of 24 November (which is itself fairly close to the wishes of the International Primary Market Association "IPMA"). Limiting the exclusion to Eurobonds or restricting the exclusion to offers in particular currencies, is not acceptable.

POINTS TO MAKE

3. UK supports the directive in principle and has no wish to delay unnecessarily. Danish Presidency has made good progress, but a number of difficult questions remain unresolved. Working Party should have sufficient time to consider these fully. Wish to be constructive, but more important that directive should be workable and technically correct than that particular deadline for adoption should be met regardless. [If pressed: Suggest instruction to report progress at April ECOFIN.]

Eurosecurities (if raised)

4. Market for Eurosecurities is extremely important to the Community. Depends on speedy distribution of securities in response to market conditions. If directive is applied, it will be driven outside the Community. Standing of issuers and financial institutions involved provides high level of investor protection without prospectuses. All types of Eurosecurities should be excluded from the directive. Market will be damaged if attempt to differentiate between debt, convertibles and equity. Already have integrated market for Eurosecurities with interpenetration of capital markets. If greater harmonisation is required, there should be a further proposal from the Commission, tailored to the market's characteristics.



Background

5. The directive requires a prospectus to be produced when securities are offered to the public for the first time. It has been under discussion for several years. We understand the directive will simply be reported on by the Presidency without substantive discussion and that the Presidency will seek an instruction from the Council that future work be organised to allow the Council to decide on the measure by next April.

6. The UK supports the directive in principle, but has a number of technical reservations about the text, and (more importantly) considers that Eurosecurities should be completely excluded. The Euromarket relies on banks etc being able to approach clients to take new issues before a prospectus can be produced, and the directive would throw a sizable spanner in the works. This would be to the considerable detriment of London as the centre of the Euromarkets. About half of the member states share our view, but the rest disagree on investor protection grounds.

7. The text is still in a state of flux with a number of amendments under discussion or still to be discussed in the Working Party. The UK and other states have reserves outstanding on several technical questions. These should not be discussed at this meeting as they are much more appropriately left to the Working Party. The UK also has a Parliamentary scrutiny reserve.

Financial Services Division
Department of Trade and Industry
3 December 1987

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(87) 685 final

Brussels, 3 December 1987

WPP 65, 66, 70 x 150

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Preamble*

ANNUAL ECONOMIC REPORT 1987 - 1988

(cf. doc. COM(87) 500 final)

Preamble

1..

Preamble

Since the Commission adopted the draft Annual economic Report 1987-1988 on 14 October 1987, share prices have fallen substantially on the stock exchanges of the main industrial countries. Interest rates have dropped by varying degrees in the United States and in almost all Community countries. On very unstable markets the dollar has depreciated against the Ecu and the Yen.

On the light of these events the economic forecasts included in the Report should obviously be revised. The size and nature of these revisions will strongly depend on when and at what level financial and exchange markets stabilize.

The basic analysis of the international environment and of the problem of slow growth and unemployment in the Community, given in the Annual Economic report, remains valid.

A significant and durable reduction of the federal budget deficit in the United States is an essential element for the solution of the present problems of the world economy. The plan to reduce expenditure and raise revenues by a net amount of \$30.2 billion in fiscal 1988 and \$45.9 billion in fiscal 1989 is encouraging, but it is important that early Congressional approval is followed rapidly by its implementation.

The guidelines for economic policy for the Community included in the Annual Economic Report remain relevant. Their implementation has become even more urgent. Pursuing macro-economic and structural policies designed to accelerate growth is in the first instance in the Community's own interest. At the same time this contributes to the correction of international imbalances. As stated by the Council at its meeting on 16 November 1987, the Member States of the Community are resolved to improve the supply and demand conditions necessary to further internally generated non-inflationary growth and to contribute to the reduction of external imbalances.

The Member States intend to cooperate actively with other countries in decisions to ensure a more stable development of world financial and foreign exchange markets. Credible macroeconomic policies have to be implemented on a multilateral scale so as to accelerate the adjustment of international payments imbalances.

Given the uncertainties in the world economy and the Community which could seriously affect the behaviour of investors and consumers, it is the more necessary to adapt the guidelines for economic policy of the member countries contained in this report to the necessities of the situation as it evolves. ~~This~~ should be done in the course of the first quarter of 1988 in conformity with article 2 of the Convergence decision.

Handwritten notes:
Habitat, yes, see
an article in the
Financial Times
change guidelines

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If so, this

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May 1988
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(9966/87 FIN 459) (APPROVED BY COREPER (PART 1) ON 2.12.1987)

- MINUTES

A. COUNCIL

- = 1177TH MEETING - 15 JUNE 1987 (7152/87 PV/CONS 41 ECOFIN 32 + ADD 1 + COR 1 (E))
- = 1186TH MEETING - 20 JULY 1987 (7827/87 PV/CONS 50)
- = 1189TH MEETING - 14 SEPTEMBER 1987 (8382/87 PV/CONS 53 + COR 1 (D))
- = 1190TH MEETING - 21 SEPTEMBER 1987 (8516/87 PV/CONS 54 IND 6 + COR 1 (I))

B. CONFERENCE OF REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES

- = 22 SEPTEMBER 1987 (8684/87 PV/RGEM 1)
(APPROVED BY COREPER (PART 2) ON 2.12.1987)

- STEEL : EXTERNAL ASPECTS FOR 1988

- = NEGOTIATING DIRECTIVES (9862/87 SID 84 (EXT) (APPROVED BY COREPER (PART 2) ON 2.12.1987)

- USA : STEEL

- = AMENDMENT TO REGULATION (EEC) NO 60/85 ON THE RESTRICTIONS ON EXPORTS OF STEEL PIPES AND TUBES TO THE UNITED STATES (9317/87 GATT 215 SID 71 (EXT)) (APPROVED BY COREPER (PART 2) ON 2.12.87)

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ADDITIONAL 1

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AND TO IMMEDIATE SCOTTISH OFFICE LONDON, TREASURY, ODA, DOE
AND TO IMMEDIATE INLAND REVENUE, CUSTOMS AND EXCISE, BANK OF ENGLAND
AND TO IMMEDIATE COI, WELSH OFFICE CARDIFF

FRAME FORECAST

TELEX NR. 3503

SUBJECT : FIRST LIST OF 'A' ITEMS FOR 1207TH MEETING OF COUNCIL OF
EUROPEAN COMMUNITIES (ECONOMIC AND FINANCIAL QUESTIONS) ON
7 DECEMBER 1987

- WRITTEN QUESTIONS PUT TO THE COUNCIL BY MEMBERS OF THE EUROPEAN PARLIAMENT
 - A) NO 1232/87 PUT BY MR STEVENSON - RECOGNITION OF HUMAN RIGHTS IN TURKEY (8533/2/87 ASSQUE 354 REV 2)
 - B) NO 1510/87 AND NO 1511/87 PUT BY MR WELSH (JOINT REPLY)
 - DISPOSAL OF BUTTER STOCKS AND THE 'LUXEMBOURG COMPROMISE'
 - AGRICULTURAL PRICES AND THE 'LUXEMBOURG COMPROMISE'
 - NO 1512/87 PUT BY MR WELSH - THE COUNCIL'S RULES OF PROCEDURE AND MAJORITY VOTING
 - NO 1524/87 PUT BY MRS GARCIA ARIAS - INDUSTRIAL AND TRADE CO-OPERATION WITH LATIN AMERICA
 - NO 1487/87 PUT BY MR DEPRez - THE RESTRUCTURING OF UNDERTAKINGS AND THE PROVISION OF INFORMATION TO EMPLOYEES (9211/87 ASSQUE 399) (APPROVED BY COREPER (PART 1) ON 2.12.1987)
- ADVISORY COMMITTEE ON MEDICAL TRAINING : REPLACEMENT OF DR HEINZ-PETER BRAUER, ALTERNATE MEMBER (9624/87 ETS 87) (APPROVED BY COREPER (PART 1) ON 2.12.1987)
- PROPOSALS FOR TRANSFERS OF APPROPRIATIONS BETWEEN CHAPTERS WITHIN THE COMMISSION'S BUDGET ESTIMATES FOR 1987
 - = NO 41/87 (AGREEMENTS ON FISHING RIGHTS) (9795/87 FIN 439) (APPROVED BY COREPER (PART 1) ON 25.11.1987)
 - = NO 43/87 (IMPLEMENTATION OF THE COMMUNITY POLICY ON AIR POLLUTION) (9967/87 FIN 460 ASSL 126)
 - = NO 45/87 (COMMUNITY PARTICIPATION IN PROJECTS IN FAVOUR OF DEVELOPING COUNTRIES CARRIED OUT BY NGOS) (9968/87 FIN 461 ASSL 127)
 - = NO 47/87 (EAGGF GUIDANCE SECTION - FRUIT AND OLIVES SECTOR)

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AND TO IMMEDIATE SCOTTISH OFFICE LONDON, TREASURY, ODA, DOE
AND TO IMMEDIATE INLAND REVENUE, CUSTOMS AND EXCISE, BANK OF ENGLAND
AND TO IMMEDIATE COI, WELSH OFFICE CARDIFF

FRAME FORECAST

SUBJECT : ADDITION TO LIST OF 'A' ITEMS FOR 1207TH MEETING OF
COUNCIL OF EUROPEAN COMMUNITIES (ECONOMIC AND FINANCIAL
QUESTIONS) ON 7 DECEMBER 1987
REF. TELEX NO 3503

- REGULATION (EEC) NO 3972/86 ON FOOD-AID POLICY AND FOOD-AID
MANAGEMENT
10091/87 ALIM 41
AMENDED BY COREPER (PART 2) ON 2.12.1987

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'A' POINT BRIEF

ECOFIN 7 DECEMBER 1987

FOOD AID FRAMEWORK REGULATION ('A' POINT)

Objectives

1. (If necessary) To table minutes declaration by UK.
2. To avoid (or oppose) reopening of common position.

Points to Make

(If Presidency does not announce that UK has tabled statement for the Minutes)

- UK has also tabled minutes statement. We accept Presidency's letter.

FOOD AID

ECOFIN 7 DECEMBER 1987

FOOD AID FRAMEWORK REGULATION ('A' POINT)

References:

- A Report from Coreper (10091/87)
- B Exchange of letters between Prime Minister and M. Delors
- C UK draft minutes statement

Background

The administration and effectiveness of EC food aid has been much criticised for some years, notably by the EC Court of Auditors. In December 1986 under the UK Presidency a new Regulation was agreed reforming its policy and administration. The regulation however only lasts one year, following compromises within the Council and between the Council and the Parliament on the structure and powers of the Food Aid Committee.

2. The Commission have proposed an extension of the Food Aid Regulation, changing none of the reforms agreed in 1986 but considerably reducing the powers of the Member States in the Food Aid Committee to amend or reject Commission proposals. This is based on a partial view of a Council Decision in July 1987 on the implementing powers of the Commission (The Comitology Decision) which we and other Member States disagree with. However, as the Prime Minister wrote to M. Delors on 5 October, it would be irresponsible of the Community to put at risk its ability to provide food aid for famine relief in order to indulge in a further debate on Comitology; the existing Regulation must therefore be extended.

3. The Presidency's letter to the President of the Council is acceptable to us. But the minutes declarations by the Commission and the Belgians are tendentious, and need to be balanced by a further statement from UK and our allies (~~or if necessary, UK alone~~). This is necessary to preserve the Presidency's freedom

to manoeuvre in conciliation between the Council and the Parliament at the Foreign Affairs Council on 14/15 December.

4. We hope the Presidency will themselves announce at ECOFIN that the UK has tabled a minutes statement. If they do, there is no need to speak. If they do not, the delegation should announce it. There is no need to read the statement unless asked by the Presidency to do so.

5. There may be other delegations (e.g. Spain and Italy) who will be keen to associate themselves with our statement. We cannot prevent them so doing, especially if it has to be read out. (Otherwise, formally they should not be yet aware of its terms). However, there is a risk that a chorus of support for our position might cause the Belgians and Dutch to refuse to let the issue go through as an 'A' Point. We should therefore prefer to avoid a series of national statements. Other delegations can be encouraged to register their agreement with our statement at some later stage, after the Council has safely endorsed the Presidency letter.

(New para. as advised by UKREP
JF)

DECLARATION OF THE UNITED KINGDOM, FRANCE AND FRG.

The UK ~~and~~ ^{France and FRG} recognizes that the present Regulation was limited to one year's duration so that the Council could consider it again in the light of the Comitology Decision.

~~It~~ They note that Article 4 of that Decision permits the Council to retain the existing procedures for the exercise of the power conferred on the Commission where acts which predate the entry into force of the Decision are amended or extended.

The UK ~~and~~ ^{France, and FRG} believes the existing committee structure works well. At a time when a significant and speedy response to the renewed famine in Africa is required, they consider it right to continue the existing Regulation rather than ~~risk~~ ^{cause} delay by ~~re-opening the~~ ^{further} debate on these procedures in such a sensitive area.

(Revisions as given to
Council Secretariat.
H)

COMMUNAUTÉS EUROPÉENNES
LE CONSEIL

Bruxelles, le 3 décembre 1987

10091/87	
	RESTREINT

ALIM 41

NOTE POINT "A"

du COREPER

en date du 1^{er} décembre 1987
au Conseil du 7 décembre 1987

Objet : Règlement (CEE) 3972/86 concernant la politique et la gestion
de l'aide alimentaire

1. Le COREPER soumet au Conseil pour approbation en point A de son ordre du jour, le projet d'orientation commune figurant en Annexe I en vue de sa transmission au Parlement européen dans le cadre de la procédure de concertation.

A la lumière du déroulement de la procédure de concertation, un délai précis qui ne peut pas dépasser 1 an, pourra être fixé pour la prorogation du Règlement.

Les délégations belge et néerlandaise s'abstiennent sur cette orientation commune.

2. On trouvera en Annexe II des déclarations dont l'inscription a été demandée au procès-verbal du Conseil.

PROJET DE LETTREDU PRESIDENT DU CONSEIL AU PRESIDENT DU PARLEMENT EUROPEEN

Bruxelles, le décembre 1987

Monsieur le Président,

J'ai l'honneur de porter à votre connaissance l'orientation commune approuvée par le Conseil en ce qui concerne le Règlement (CEE) 3972/86 concernant la politique et la gestion de l'aide alimentaire.

Le Conseil s'était engagé l'an dernier, à l'issue de la procédure de concertation avec le Parlement, à réexaminer l'article 8 du Règlement à la lumière de la décision relative aux pouvoirs d'exécution de la Commission et il avait été entendu que le Règlement ne resterait en vigueur que pendant un an.

Ce réexamen a été entrepris par le Conseil sur base de la proposition de la Commission, amendée en date du 26 novembre 1987 suite à l'avis du Parlement et sur base de ce même avis.

Il est apparu qu'un délai de temps limité était encore nécessaire au Conseil pour terminer ce réexamen, ce qui implique, dans l'intervalle, la nécessité de proroger le Règlement actuel pour éviter tout vide juridique, solution que la Commission a été en mesure d'accepter.

Le Règlement prévoira qu'il sera prorogé pour une période limitée qui ne pourra excéder un an, ce délai étant mentionné à titre de précaution juridique, compte tenu du caractère annuel de l'action de la Communauté en matière d'aide alimentaire.

./.

- 2 -

Je vous confirme que l'intention du Conseil est de mener à terme ce réexamen dans des délais aussi brefs que possible.

Le Conseil est prêt à tenir la réunion de concertation avec le Parlement européen sur la présente orientation commune à l'occasion de sa session des 14 et 15 décembre prochain.

(Formule de politesse).

ANNEXE IIDECLARATION DE LA COMMISSION

La Commission rappelle que la durée de validité du règlement actuel sur l'aide alimentaire avait été expressément limitée au 31 décembre 1987, dans l'attente de la décision "comitologie". Elle regrette que le Conseil ne mette pas à profit l'établissement d'un règlement permanent pour se conformer aux modalités qu'il a lui-même adoptées le 13 juillet dernier à la suite de l'entrée en vigueur de l'Acte unique.

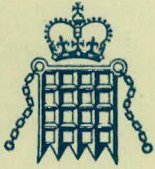
DECLARATION DE LA DELEGATION BELGE

La délégation belge rappelle que la durée de validité du règlement actuel sur l'aide alimentaire avait été expressément limitée au 31 décembre 1987, dans l'attente de la décision "comitologie". Elle estime que le Conseil devrait mettre à profit l'établissement d'un règlement permanent pour se conformer aux modalités qu'il a lui-même adoptées le 13 juillet dernier à la suite de l'entrée en vigueur de l'Acte Unique. Néanmoins, comme elle est très attachée au maintien du programme d'aide alimentaire, elle ne veut pas faire obstacle à la définition d'une orientation commune et s'abstient sur le projet de lettre du Président du Conseil au Président du Parlement et son annexe.

SUPP. BRIEF
BY KNOX

FROM: B H KNOX

DATE: 4 DECEMBER 1987



Board Room
HM Customs and Excise
King's Beam House
Mark Lane London EC3R 7HE

KNOX
TO
CH. EX
4.12.87
YAT

CHANCELLOR

PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Edwards
Mr Scholar
Miss Sinclair
Mr Cropper
Mr Parkinson, HM Treasury
Mr Michie, HM Treasury
Mr Publicover, FCO
Mr Parker, Cabinet Office

ECOFIN COUNCIL 7 DECEMBER 1987

1. The purpose of this note is to recommend, in the light of developments in Brussels, a modified line-to-take in relation to the Presidency compromise proposal for an Eighteenth VAT Directive.

BACKGROUND

2. Briefing papers for Monday's ECOFIN Council proposes, as a sticking point for the UK, that we require a discrete provision (at Article 1.2) in the directive - a Minutes Statement will not do - to cover our fears about potential distortion of competition in the UK in relation to exemptions of supplies of certain sporting and cultural services.

Internal Distribution:

CPS	Mr G Taylor	Mr Walton, UKREP
Mr Jefferson Smith	Mr Cockerell	
Mr Allen	Mr Craske	

DEVELOPMENTS IN BRUSSELS

3. UKREP have advised us that the Commission and certain member states are reluctant to agree to our request to have a specific clause covering the distortion of competition point included in the Directive. The Commission do not agree that we need a new provision to cover our fears and consider that we could under existing EC provisions justify, on distortion of competition grounds, withholding relief from, say, a local authority running a sports or cultural centre (in competition with a private sector body). This, they argue, could be done by invoking:

- 127-157 ? (see structure)
- i) Article 13A2(b) second indent; and
 - ii) by referring to a note in Council minutes which it is proposed could be inserted to cover the distortion of competition aspect.

4. As regards the first point, the provision states that exemption shall not be granted if the "basic purpose [of supplying the relevant goods and services] is to obtain additional income for the organisation by carrying out transactions which are in direct competition with those of commercial enterprises liable for value added tax."

5. We disagree with the Commission's legal interpretation. In our view a local authority could quite properly argue that "the basic purpose" of running a sports or cultural centre was not to obtain additional income but was, for example, to provide facilities to the local community or to give youngsters who might otherwise indulge in antisocial activities a worthy recreational interest or to improve society's general physical and cultural well-being etc.

6. As regards the second point, we have already indicated that notes in Council minutes are unsatisfactory; they have no legal status and cannot be referred to in legal proceedings, which would be brought, in this instance, not by the Commission but by an organisation in the UK.

7. Previous briefing indicated that we should not be prepared to withdraw our reservations on these items (regarding Article 13A1(m) and (n)) without an explicit clause being agreed to for inclusion in the Directive itself. That line was approved by the Economic Secretary.

8. We are informed that Germany, in particular, is unhappy with an Article on the lines insisted upon by the UK; and may themselves, as a quid pro quo, insist upon including in the directive the abolition of a derogation (F27) concerning tour operators which only Denmark utilise and which would certainly be blocked by Denmark. Thus agreement will not be achieved at ECOFIN during the Danish Presidency; and the German succeeding Presidency would wrest the initiative.

REVISED LINE TO TAKE

9. The UK needs this directive, not solely to remove the Irish advantage on thoroughbred horses but also to remove derogations used for financial transactions which we would be pleased to surrender within the directive. On balance we are inclined to discontinue our insistence on the inclusion of Article 1.2, but only as a final negotiating manoeuvre. We so recommend.

Bryce Knox

B H KNOX

Covering CONFIDENTIAL

FROM: M PARKINSON

DATE: 4 DECEMBER 1987

- 1. SIR GEOFFREY LITTLER
- 2. CHANCELLOR

Handwritten in red: ? welcome to the 4/12 for 18th lunch

ECOFIN 7 DECEMBER

ECOFIN on 7 December is in the Charlemagne in Brussels. You will be accompanied by Sir Geoffrey Littler, Mr Allen and Mr J Taylor. The Council begins at 2.30pm preceded by lunch at 1.00pm.

2. The expected agenda is as follows:

Over lunch

Handwritten in black: I have arranged to pick up any reporting telegrams from No 10 on Monday a.m.

(a) probably follow-up to the European Council and Economic situation

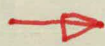
In the afternoon session

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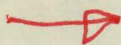
(b) follow-up to the European Council

(c) Annual Economic Report 1987-88

(d) abolition of fiscal frontiers



(e) the 18th VAT directive



(f) the prospectuses Directive

Briefs are attached on all these items, except (a) and (b) on which you will be briefed on the morning of 7 December.

Handwritten in black: by Sir D Hannay

Follow-up to the European Council

3. Sir David Hannay will be able to brief you in addition to telegrams available on 7 December. We will seek to arrange briefing on 7 December if necessary.

BRIEF C

BRIEF C

ECOFIN COUNCIL, 7 DECEMBER 1987: BRIEFING

AGENDA ITEM (d) - eighteenth VAT directive

RELEVANT DOCUMENTS : Community Document 10016/87; Presidency's amended compromise (attached).

UK OBJECTIVES

The Chancellor will be required to intervene. He should seek to ensure that requirements attaching to the UK's agreement to abolish derogations contained in the Presidency compromise draft directive are met; and that all other member states agree to make equally significant sacrifices. This includes Ireland surrendering the derogations whereby it exempts from VAT the supply of greyhounds and thoroughbred horses, albeit that the derogation will cease on a different time-scale from others. In any event, the UK's agreement to lift reservations placed on individual items contained in the proposal must be provisional upon Parliamentary scrutiny of the substantive proposal. The Chancellor should also support passively two amendments which will be proposed to the Presidency compromise. These concern the detail of Article 4; and a request by France for a Minutes Statement as a pre-condition of accepting the abolition of derogation F20 (Treatment of recuperable material).

Accept subject to 15/12/87
See over

LINE TO TAKE

The UK appreciates the Presidency's efforts in trying to achieve agreement to an Eighteenth Directive, which would be a further step on the road to harmonizing VAT structure in the Community.

It is particularly important to harmonize VAT structure where the continuation of disparity is distortive to international trade.

The UK Parliament is equally seized with the importance and implications of this draft proposal; and has signified its wish to fully consider the matter. Parliament is expected to do so shortly, and until then the UK must maintain a Reservation on the proposals to abolish derogations which it currently employs. These derogations are not distortive to international trade.

Subject to the UK Parliament's comments, the UK may be able to lift its reservations, providing certain requirements are met.]

Can Accept, subject to Party. Scruby Minister,
provides that:

~~These requirements are that:~~

- a. all member states make equally significant sacrifices. The UK can now reluctantly accept 1 January 1991 as the date for the abolition of the derogation permitting the exemption of greyhounds and thoroughbred horses
- b. ~~the UK requires~~ a provision in the Directive ~~a Minutes Statement will not alone suffice~~ ^{there is} to enable limitation of the scope of exemptions Annex E4 (certain sporting services) and Annex E5 (certain cultural services), in order to avoid distortions of competition in the UK. The text of the Directive before ECOFIN will include this concern, as a new Article 1.2.

BACKGROUND

The EC Sixth VAT Directive provides the basis for a common system of VAT throughout the Community. However, to facilitate its adoption in 1977, a number of derogations were incorporated which allow member states to retain, for a transitional period, certain taxation policies which they use at that time. In particular, Annexes E and F of the Sixth Directive list certain supplies which member states may tax where exemption is the Sixth Directive rule (Annex E); and vice versa (Annex F). The draft Eighteenth VAT Directive, first proposed in November 1984 and amended in June 1987, seeks the abolition of most of those derogations.

The Commission's proposals

The Commission has proposed that the Annex E and F derogations be abolished in three phases, beginning with those regarded by it as most easily conceded by member states and ending with those which pose greatest difficulty for them. Although the draft directive has recently been amended, the dates proposed in it for the three phases remain 1 January 1986 (clearly impossible), 1988 and 1990.

The Presidency compromise

The Danish Presidency has now put together a more modest compromise package which proposes the abolition on 1 January 1989 of all but two of the items included in the Commission's first phase - but on 1 January 1991 for the Irish derogation on greyhounds and horses - and calls for a decision on the remainder of the Commission's proposal before 1 January 1989. The Presidency has put the package to the ECOFIN Council for the second time in an attempt to secure agreement.

The UK position

Until recently the line taken in official level discussions has been to defend established national policy on the grounds that it is not distortive to Community trade, but at the same time, seek further information on the likely effects of conforming fully with the tax regime envisaged in the Sixth Directive. All member states were equally reluctant initially to abandon use of their own derogations but recently all of them except the UK have shown willingness to forgo derogations as part of a meaningful Community measure and in recognition that the derogations were intended to be transitional, not permanent. The result is that while most member states still maintain one or two reservations, the UK was isolated on six items included in the Presidency compromise package.

However, upon reappraisal of the UK's position, Ministers gave assent to a revised line-to-take in Brussels negotiations. This line is that all the UK reservations to the proposals in the Presidency's compromise solution should now be lifted provided that:

- (a) a proviso is included in the text of the Directive to enable member states to take action as necessary to avoid internal distortions of competition (this will be added, as Article 1.2 in the text before ECOFIN)
- (b) all member states make equally significant sacrifices. In particular, the Irish must give up their derogation for bloodstock, though it is not now a requirement that this shall be effective at the same time as other member states surrender theirs, ie 1989.

Likely scenario at ECOFIN

a. For decision:

- (i) The addition, at Article 1.2 of a provision to allow continued taxation of sports and cultural services where there would otherwise be distortions of competition within a member state.

- UK should insist upon this provision; but could accept in addition, a Statement in the Council Minutes to the effect that the provision would be invoked only when, in the opinion of the member state concerned, significant distortion would otherwise arise. We cannot accept, as Germany may claim, that Article 13.2 of the 6th Directive covers our concerns because it specifically excludes public law bodies.

(ii) Amendment to Article 4 of Presidency compromise, to set 1.1.89 as the date by which the Council shall decide (subject, still, to unanimous agreement) on the abolition of the remaining derogations in Article 28(3) of the 6th Directive.

- UK should support.

(iii) Agreement to a Minutes Statement on Item 20 (treatment of recuperable waste). "The Council and the Commission agree that they will consider favourably a request from France, on the basis of Article 27(1) to (4) of Directive 77/388/EEC, concerning a derogation "

- UK can agree.

b. Position of other member states on reservations:

(i) Luxembourg have replaced reservations on Annex F, Items 13 and 15 (exemption, by derogation, of certain financial management services). They have promised further reflection. UK must insist on abolition of these derogations; otherwise Luxembourg would be giving up nothing.

(ii) Dutch have lifted "on a personal basis" their reserve on F11 (exemption, by derogation, of insurance claim assessments). This is the only Dutch derogation in the first phase, and also must be given up if all member states are to make significant sacrifices.

(iii) France will lift reservation on F20 (exemption, by derogation, of supplies of scrap) if safeguarded by a Minutes Statement (see a(iii) above).

(iv) Germany may still press for the inclusion of F27 (taxation of tour operators) in this phase of the abolition programme. The UK are agnostic on the issue, but Denmark probably cannot accept this (they alone use the derogation) and we would not like to see this problem holding up agreement to the Directive.

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7. COUNCIL AGREE TO CONTINUE IN GERMAN PRESIDENCY TO WORK TOWARDS PROPOSAL DIRECTION ''AS EARLY AS POSSIBLE''.

LUNCHTIME DISCUSSION (X)

8. DISCUSSION ON INTERNATIONAL ECONOMIC SITUATION, WITH PARTICULAR EMPHASIS ON ROLE OF NICS AND ON DIFFICULTIES OF PERSUADING US AUTHORITIES TO PURSUE CONSTRUCTIVE FISCAL AND MONETARY POLICIES. NO MENTION OF COMMUNITY FINANCES.

9. FOR DETAILS, SEE MY 4 IFTS.

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FRAME ECONOMIC
ECOFIN COUNCIL : 7 DECEMBER
SUMMARY TELEGRAM
(X DENOTES ITEMS NOT RECORDED ELSEWHERE)

1. THE CHANCELLOR AND I REPRESENTED THE UK.

'A' POINTS

2. ALL AGREED EXCEPT NO'S 5 (STEEL: EXTERNAL ASPECTS FOR 1988) AND 6 (USA: STEEL) WHICH ARE TO GO TO 18 DECEMBER INTERNAL MARKET COUNCIL AS A POINTS. ON NO 7 (FOOD AID FRAMEWORK REGULATION) PRESIDENCY LETTER TO PARLIAMENT PROPOSING ROLL OVER OF PRESENT REGULATION APPROVED BUT DISCUSSION LIKELY AT 14-15 DECEMBER FOREIGN AFFAIRS COUNCIL (FOR FURTHER DETAILS SEE SEPARATE TELNO 4199).

FOLLOW UP TO EUROPEAN COUNCIL (X)

3. NO DISCUSSION: ITEM DELETED FROM AGENDA.

ANNUAL ECONOMIC REPORT 1987-88

4. REPORT AGREED WITH SATISFACTORY CHANGES TO PREAMBLE.

ABOLITION OF FISCAL FRONTIERS (TAX APPROXIMATION)

5. CHAIRMAN OF ECONOMIC POLICY COMMITTEE (EPC) PRESENTS AGREED INTERIM REPORT, WITH FINAL REPORT ENVISAGED IN 3 MONTHS. LUXEMBOURG ANXIOUS THAT EPC DETAILED WORK SHOULD RANGE WIDELY TO PROVIDE A BASIS FOR EACH MEMBER STATE TO WEIGH UP COSTS/BENEFITS READY FOR FUTURE IN-DEPTH POLITICAL DISCUSSION. GERMANY OUTLINES NEED FOR DETAILED PREPARATIONS IN COUNCIL WORKING GROUPS, AND FOR CAREFUL CONSIDERATION IN CAPITALS AND WITH THE COMMISSION BEFORE DECIDING WHEN CONCLUSIONS MIGHT BE REACHED ON THE MAJOR POLITICAL ISSUES.

EIGHTEENTH VAT DIRECTIVE

6. NEW GERMAN REQUEST AND COMMISSION INTRANSIGENCE PREVENT AGREEMENT ON PRESIDENCY COMPROMISE TO ABOLISH MINOR DEROGATIONS FROM SIXTH VAT DIRECTIVE.

PROSPECTUSES DIRECTIVE

TAKEN AND OBJECTED TO ANY SUGGESTION THAT THEY HAD SUFFICIENT ROOM FOR MANOEUVRE TO ADOPT FURTHER, SUBSTANTIALLY EXPANSIONARY POLICIES:

- (D) ROUMELIOTIS (GREECE) TRIED TO EXCUSE THE POOR RESULTS OF THE GREEK ECONOMIC RECOVERY PROGRAMME BY REFERENCE TO THE UNEXPECTEDLY LOW YIELD OF VAT AND ADVERSE WEATHER CONDITIONS:
- (E) EYSKENS (BELGIUM) MADE AN ELECTION SPEECH ABOUT THE VIRTUES OF THE SINGLE MARKET AND OF REDUCTIONS IN DIRECT TAX.

6. THE CHANCELLOR SAID THAT THE UNITED KINGDOM COULD ACCEPT THE REPORT AS AMENDED: BUT THE LAST PARAGRAPH OF THE PREAMBLE WOULD BE IMPROVED IF IT REFERRED TO THE NEED FOR FLEXIBILITY IN ECONOMIC POLICY MANAGEMENT RATHER THAN TO FORMAL REVISION OF THE ECONOMIC POLICY GUIDELINES.

7. SUMMING UP, SIMONSEN (PRESIDENCY) CONCLUDED

- (A) THAT THE LAST PARAGRAPH OF THE PREAMBLE SHOULD BE AMENDED TO READ "'... IT IS THE MORE NECESSARY FOR THE COMMUNITY AND ITS MEMBER STATES TO BE READY TO ADAPT THEIR ECONOMIC POLICIES TO THE NECESSITIES OF THE SITUATION AS IT EVOLVES''.
- (B) THAT, WITH THIS CHANGE, THE COUNCIL AGREED THE REPORT AS AMENDED:
- (C) THAT THE TEXT SHOULD BE FORMALLY ADOPTED AT AN EARLY MEETING OF THE COUNCIL. (THIS IS TO PERMIT THE COUNCIL SECRETARIAT TO PUT TOGETHER THE FINAL TEXT AND FOR ANY REMAINING LINGUISTIC POINTS TO BE DEALT WITH IN THE JURISTS/LINGUISTS GROUP).

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ECOFIN COUNCIL: 7 DECEMBER 1987

ANNUAL ECONOMIC REPORT

SUMMARY

1. REPORT AGREED, WITH SATISFACTORY CHANGE TO PREAMBLE.

DETAIL

2. THE COUNCIL DISCUSSED THE COMMISSION'S ANNUAL ECONOMIC REPORT (9561/87) AS AMENDED BY THE COMMISSION IN THE LIGHT OF DISCUSSION WITH MEMBER STATES AND WITH THE ADDITION OF A PREAMBLE CIRCULATED AS DOCUMENT COM(87)685.

3. SCHMIDHUBER (COMMISSION) SAID THAT, DESPITE THE EVENTS OF RECENT WEEKS IN THE FOREIGN EXCHANGE AND SECURITIES MARKETS, THE BASIC ANALYSIS IN THE ANNUAL ECONOMIC REPORT REMAINED VALID. THE COOPERATIVE GROWTH STRATEGY, STRENGTHENED ECONOMIC AND SOCIAL COHESION AND THE COMPLETION OF THE INTERNAL MARKET WERE OF THE FIRST IMPORTANCE. THE EVENTS OF RECENT WEEKS MEANT HOWEVER THAT IT WAS EVEN MORE NECESSARY THAN HAD SEEMED THE CASE WHEN THE REPORT WAS PRODUCED THAT THE COMMUNITY SHOULD PURSUE A MIXTURE OF SUPPLY SIDE AND DEMAND SIDE POLICIES WHICH WOULD SUSTAIN NON INFLATIONARY ECONOMIC GROWTH AND AT THE SAME TIME CONTRIBUTE TO A REDUCTION IN EXTERNAL IMBALANCES.

5. IN A SHORT DISCUSSION THE MAIN POINTS MADE WERE AS FOLLOWS:
 - (A) BALLADUR (FRANCE), AMATO (ITALY) AND THE CHANCELLOR SAID THE MAIN PROBLEMS IN ECONOMIC POLICY ADJUSTMENT LAY IN THE USA NOT EUROPE.
 - (B) SOLCHAGA (SPAIN) AND THE PORTUGUESE DELEGATE MADE WHAT SEEMED TO BE MUTED CALLS IN FAVOUR OF THE CONCERTED FISCAL EXPANSION HINTED AT IN ONE OR TWO PLACES IN THE ORIGINAL VERSION OF THE REPORT:
 - (C) SCHLECHT (GERMANY), BALLADUR AND RUDING (NETHERLANDS) DEFENDED THE RECENT ECONOMIC AND MONETARY POLICY MEASURES WHICH THEY HAD

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BUDGET MANAGEMENT WAS ALSO IMPORTANT. MEMBER STATES NEEDED TO BE IN A POSITION TO WEIGH UP COSTS/BENEFITS AND THEN DECIDE WHETHER THE COMMISSION'S PROPOSALS AMOUNTED TO AN ACCEPTABLE SYSTEM.

5. STOLTENBERG (GERMANY) CONSIDERED THAT THE EPC'S 3 MONTH DEADLINE WOULD BE AMBITIOUS IF THE JUNE 1986 REMIT WAS HANDED ON TO EPC. HE PROPOSED THAT THE FINANCIAL QUESTIONS GROUP SHOULD WORK INTENSIVELY IN THE NEW YEAR TO CLARIFY THE BASIS FOR FURTHER DECISIONS. ALL MEMBER STATES WOULD NEED TO GIVE SERIOUS CONSIDERATION AT A NATIONAL LEVEL TO THE CONSEQUENCES OF THE FUNDAMENTAL RESTRUCTURING OF FISCAL ARRANGEMENTS WHICH WERE BEING PROPOSED. AT AN APPROPRIATE STAGE THE COUNCIL WOULD HAVE TO DECIDE, IN DISCUSSION WITH THE COMMISSION, WHEN IT WOULD BE POSSIBLE TO REACH A POLITICAL DECISION. IT WAS NOT POSSIBLE TO FIX A DATE BECAUSE THE RESULT OF NATIONAL DISCUSSIONS COULD NOT BE PREDICTED.

6. SIMONSEN CONCLUDED THAT EPC SHOULD PURSUE ITS WORK AND SUBMIT A REPORT IN 3 MONTHS. ACCOUNT WOULD HAVE TO BE TAKEN OF THE COUNCIL'S JUNE 1986 CONCLUSIONS IN ORDER TO PROVIDE THE BASIS FOR IN DEPTH MINISTERIAL DISCUSSION WHICH MINISTERS HAD ALREADY DECIDED WAS REQUIRED. LORD COCKFIELD INTERVENED TO PRESS HIS DEMAND FOR TECHNICAL WORK TO BE UNDERTAKEN IN PARALLEL WITH THE EPC STUDIES. WHEN SIMONSEN DECLINED TO CHANGE HIS PREVIOUS CONCLUSION LORD COCKFIELD SAID THE COMMISSION WOULD MAKE A STATEMENT FOR THE MINUTES.

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FRAME ECONOMIC
ECOFIN COUNCIL: 7 DECEMBER 1987
ABOLITION OF FISCAL FRONTIERS

SUMMARY

1. CHAIRMAN OF ECONOMIC POLICY COMMITTEE (EPC) PRESENTS AGREED INTERIM REPORT, WITH FINAL REPORT ENVISAGED IN 3 MONTHS. LUXEMBOURG ANXIOUS THAT EPC DETAILED WORK SHOULD RANGE WIDELY TO PROVIDE A BASIS FOR EACH MEMBER STATE TO WEIGH UP COSTS/BENEFITS READY FOR FUTURE IN-DEPTH POLITICAL DISCUSSION. GERMANY OUTLINES NEED FOR DETAILED PREPARATIONS IN COUNCIL WORKING GROUPS, AND FOR CAREFUL CONSIDERATION IN CAPITALS AND WITH THE COMMISSION BEFORE DECIDING WHEN CONCLUSIONS MIGHT BE REACHED ON THE MAJOR POLITICAL ISSUES.

DETAIL

2. MILLERON (CHAIRMAN OF EPC) READ OUT THE COMMITTEE'S INTERIM REPORT AGREED FOLLOWING THE EPC MEETING ON 26/27 NOVEMBER. SIMONSEN (PRESIDENCY) WELCOMED THE REPORT AND STRESSED THE IMPORTANCE OF HAVING A PROPER ANALYSIS BEFORE THE COUNCIL PURSUED AN IN-DEPTH STUDY.

3. LORD COCKFIELD (COMMISSION) EMPHASISED THAT FISCAL APPROXIMATION WAS NOT A NEW CONCEPT, BUT WAS INHERENT IN THE TREATY AND IN ALL SUBSEQUENT FISCAL DIRECTIVES. IT WAS ALSO ESSENTIAL TO THE DEFINITION OF THE INTERNAL MARKET CONTAINED IN THE SINGLE EUROPEAN ACT. IT WAS INCONCEIVABLE THAT MEMBER STATES WOULD NOT HAVE CARRIED OUT THEIR OWN MACRO ECONOMIC STUDIES OF THE IMPACT OF TAX APPROXIMATION. THE EPC TIMETABLE FOR ITS FINAL REPORT MUST BE ADHERED TO, AND FITTED IN WITH THE COMMISSION'S VIEW OF THE TIMETABLE FOR TAX APPROXIMATION OVER THE COMING YEAR.

4. SANTER (LUXEMBOURG) WAS CONCERNED THAT EPC'S REPORT SHOULD PROVIDE A SPECIFIC BASIS TO ALLOW REALLY DETAILED SUBSTANTIAL DISCUSSION IN THE COUNCIL. THE REMIT SHOULD REFER TO THE COUNCIL'S OWN CONCLUSIONS IN JUNE 1986 THAT A FULL DISCUSSION OF BUDGETARY, ECONOMIC, FINANCIAL AND SOCIAL REPERCUSSIONS OF TAX APPROXIMATION NEEDED TO TAKE PLACE. THE VAT CLEARING MECHANISM AND ITS IMPACT ON

FROM: M PARKINSON

DATE: 9 DECEMBER 1987

Agreed in draft, M.P.

(1) SIR G. MITTLER 9/12

(2) MR ALEX ALLAN

cc Paymaster General
Sir P Middleton
Mr Edwards
Mr Culpin
Mr Odling Smee
Mr Mortimer
Miss Sinclair**CABINET 10 DECEMBER: REPORT ON ECOFIN**

The Chancellor may like to draw on the following:-

- a low key meeting, satisfactory for us.

- in informal lunch discussion on international economic situation, there was particular emphasis on the role of newly-industrialised countries and on difficulty of persuading US authorities to pursue constructive fiscal and monetary policies.

- there was no formal discussion on the follow-up to the European Council. I had useful bilaterals with Balladur and Stoltenberg. Balladur responded positively to the idea of a bilateral discussion before the Anglo-French summit in January. I encouraged Stoltenberg in his resistance to pressure from Kohl to give too much to the structural funds. We agreed that the Anglo-German summit would be important.

- the Commission's Annual Economic Report for 1987-88 and preamble were agreed, as amended by member states including the UK. The report is uncontentious. I noted that the main problems in economic policy adjustment lay in the USA not Europe.

CONFIDENTIAL

- the Chairman of the Economic Policy Committee gave an oral interim report on the Committee's economic evaluation of Cockfield's indirect tax approximation proposals - largely a procedural discussion promising an in-depth evaluation by March 1988.

- on minor items, there was no agreement on a VAT directive, and a financial prospectuses directive was put back for further work.

Mark Parkinson

M PARKINSON

FROM: M PARKINSON

DATE: 9 DECEMBER 1987

Seen in draft, M.P. 9/12

- 1. SIR GEOFFREY LITTLER
- 2. CHANCELLOR

cc: PS/Paymaster General
 Mr Byatt
 Mr Edwards
 Mr Odling-Smee
 Mr Mortimer
 Miss Sinclair
 Mr Dyer
 Mr Knox (and E)

Ch / Content?
9/12
One small
change

ECOFIN

I attach for approval a draft arranged Parliamentary Question and Answer reporting on Monday's ECOFIN.

2. Perhaps Mr Taylor could let Parliamentary Section know if you are content with it, so that they can make the necessary arrangements.

Mark Parkinson

M PARKINSON

ECOFIN ARRANGED PQ

To ask the Chancellor of the Exchequer if he will make a statement on the outcome of the latest meeting of the European Community's Economic and Finance Council.

DRAFT REPLY BY THE CHANCELLOR OF THE EXCHEQUER

The ECOFIN Council met in Brussels on 7 December. I represented the UK.

The Council discussed the Commission's Annual Economic Report for 1987-88. The Report was agreed as amended by the Commission in the light of discussion with member states.

The Chairman of the Economic Policy Committee gave an interim report on the Committee's economic evaluation of the Commission's proposals for the abolition of fiscal frontiers. It was agreed that the Committee should produce a full report, ^{which is} expected in March 1988.

The Council discussed the draft eighteenth VAT directive but no agreement was reached. The Council agreed to continue work on a draft directive dealing with the prospectus to be published when transferable securities are offered to the public.

FROM: J M G TAYLOR *pg*

DATE: 10 December 1987

MR M PARKINSON

cc PS/Paymaster General
Sir G Littler
Mr Byatt
Mr Edwards
Mr Odling-Smee
Mr Mortimer
Miss Sinclair
Mr Dyer
Mr Knox - C&E**ECOFIN**

The Chancellor has seen your minute of 9 December, and the enclosed draft PQ.

2. He is content, subject to one amendment to the second sentence of paragraph 3 of the Answer. This involves recasting the sentence to read: "It was agreed that the Committee should produce a full report, which is expected in March 1988."

A handwritten signature in dark ink, appearing to be "J M G Taylor".

J M G TAYLOR