

Confidential Filing

Meetings with Jack Peel and
subsequent correspondence

PRIME

MINISTER

Part 1: Jan 1980

Part 2: Oct 1989

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
9.10.89							
28.11.89							
1.12.89							
4.4.90							
PREM 19/3480							

PRIME MINISTER

MR JACK PEEL

From time to time your predecessor had short half hour talks with Mr Jack Peel. The interval between such talks however was lengthening; it had reached about nine months or so.

Mr Peel is an ex-trade unionist who is now an active Conservative Party supporter. He is closely in touch with Mr Patten.

Mr Peel has now written to you offering advisory services (letter attached). Presumably he has in mind the same sort of occasional chat as he had with Mrs Thatcher.

Mr Peel is a nice man - a good man. But his advice was of no practical use latterly. He is now in his seventies. I could not recommend that you allocate time in a busy diary to hear his views on industrial relations. Frankly he is out of touch.

That said, he should be encouraged to keep up his contacts with Mr Patten. And he might be invited to attend a general reception at No. 10.

Content for me to write back to him thanking him for the offer; encouraging him to keep in close contact with Mr Patten; and hold out the prospect of an invitation to No.10 at a general reception?

BHP

(BARRY H. POTTER)

27 March 1991

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FILE KC

CF



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 June 1990

The Prime Minister has asked me to thank you for your letter of 1 June and for sending her your latest piece on Europe which, as always, she read with great interest.

(C. D. POWELL)

Jack Peel, Esq., C.B.E., D.L.

1058

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Prime Minister

Not very helpful

CBP 4/6_{cc}

1st June 1990

mt

Dear Prime Minister

I have not forgotten the piece on wage negotiations I promised to send you when we met a few weeks ago! I am still doing some research on it, but hope to have it ready soon.

Meanwhile, here is my latest piece on Europe, which I hope you find interesting.

Best wishes

Yours sincerely

Jack Peel

PS Common Cause is hoping to have my five leaflets bound together as a Euro-information book.

Jack



The Common Cause Report
on
Europe—A Wider Perspective
(Special Report)

REPORT No. 5
MAY 1990



THE
COMMON
CAUSE

report

FREEDOM, THE COMMON CAUSE OF MANKIND

Report No. 5

May 1990

EUROPE – A WIDER PERSPECTIVE (Special Report)

This is the fifth and final Special Report in the series on Europe and 1992. The author is Jack Peel, formerly Director of Industrial Relations at the European Commission and General Secretary of a major British Trade Union.

In the bone-chilling mist shrouding Brussels on the morning of New Year's day 1973, workmen hoisted the flags of Denmark, Ireland and the UK outside Berlaymont and the six founder members of the European Community became nine. British expatriots drinking coffee in a nearby restaurant to recover from overnight revelling, saw with dismay that the Union Jack was upside down.

This has symbolised British involvement in the Community since that time – ambivalence, awkwardness and the occasional touch of genius. In the 17th century King Louis XIV of France either had this touch, or thought Europe's problems were simple when he said, 'I would sooner reconcile all Europe than two women'.

East Europe, EFTA and EC

There are now twelve member states in the European Community and two powerful engines of change are currently pounding out ideas and options which will unfold a new map and change dramatically Europe's political and economic structure. Touches of the British genius and long experience of democratic procedures will not come amiss in these event-

ful times.

The first set of changes relate to the emerging East European democracies and German reunification. They understandably command the centre stage in terms of world news and are being documented daily in great detail. Events are moving so swiftly, that the morning news bulletin is often outdated by the evening.

This report looks at the general trends and strategic implications of this unique period of history and offers some thoughts on their future significance.

In the shadow of the momentous events unfolding in east and central Europe another piece of a vast European jigsaw is being quietly slotted into place. The EC and EFTA (Finland, Iceland, Norway, Sweden, Switzerland and Austria) are locked in negotiations over the creation of a huge new trading bloc – the **European Economic Space (EES)**. Whilst it falls well short of full membership for the six EFTA countries, who conduct 70 per cent of their trade with the EC, the formation of the EES is timed to run in tandem with the Community's own plans for a single market by 1992.

After years of bickering and self doubt, member states of the EC seem now

infused with a desire to move towards the 'ever closer union' foreseen in the preamble to the Rome Treaty. The precise form of union is still being fiercely debated, the amount of sovereignty to be transferred to any central or controlling body being the key issue – but Europe is indeed in the crucible of change.

There is a fascinating interaction between these twin pressures for change. The success of the Single Market will ensure that maximum help will continue to be given to the Third World, as well as to East European countries.

Stable political systems are founded on soundly based economies, so help given now from the Community should be a contribution towards future political stability in Europe. Moreover, in a continent in turmoil, the EC shines like a beacon as a powerful bulwark for peace and democracy. **The mind boggles at the thought of a Europe at this exciting and anxious time, without the European Community and NATO.**

Another factor is the way in which most of the East European countries making changes to their constitutions are expressing their wish to join the Community as soon as it is possible. As applications from several West European countries are already in the pipeline, the Community will be forced into re-thinking its structure and objectives in order to make sure it can grow bigger without falling to pieces. The Nato alliance may have to adjust as it watches a smaller but still powerful Soviet army and looks out for possible dangers along Europe's southern flank.

One worrying aspect of the crumbling Soviet Empire, is that around 30,000 nuclear warheads are reported to be in various launch sites in different Soviet Republics. Whether related structures are still in place and reliable, given the present turmoil, is a moot point. The value of Nato and the EC is clear. The two organisations are indispensable if Europe is to have a peaceful and democratic future.

Comecon and other links

Not everyone understands how widely

the European Community has developed its commercial links throughout the world, since its formation. The Community has bilateral trade agreements with more than 120 countries and bilateral agreements with a further thirty.

Furthermore, in June 1988, Comecon formally recognised the European Community, thus ending 25 years of hostility towards the EC by the Eastern bloc. Since that time, further bilateral agreements have been signed with Rumania, Bulgaria, East Germany, the Soviet Union and Czechoslovakia.

Since 1989 huge quantities of food have also been sent to Rumania and Poland by the European Commission, which has been coordinating economic aid to these two countries on behalf of the 24 OECD countries. In short, the links were being made before the revolutions began.

Comparable periods of dramatic change in the past, must include the French Revolution in 1789, or the revolutions of 1848-49, when governments were toppled by an upsurge of liberal, democratic idealism in Paris, Rome, Venice, Berlin, Dresden, Vienna and Budapest. But the geographical and chronological scale of the current political 'earthquake', its ethnic diversity and global implications, arguably make it unique in history to date.

For instance, the population of France in 1789 was around 8 million, whereas more than 500 million people are involved in the historic events now changing the face of Europe. If the EC expands from 12 to 20 or more countries during the next twenty years, the changes will have embraced over 1000 million people.

No instant democracy

There is a sense of astonishment, exhilaration and happiness when men and women who have been long imprisoned by oppressive and brutal regimes, are seen to be breaking free from at least some of their chains. In Rumania, Poland, Hungary, Bulgaria, Czechoslovakia, the Soviet Union and other East European countries, all we are sure about is that Communism is collapsing.

Everyone fervently hopes that the new systems will embody freedom and democracy, but this will not happen automatically. There is no switch to produce instant democracy.

Among other things it requires free elections, free speech, the separation of the judiciary from the executive and freedom to worship the God of one's choice. These things take time, though Hungary, Poland and East Germany are already considering new constitutions.

This surge of 'people power' in Eastern Europe is also a triumph of the unexpected. There is a touch of irony in the fact that none of the pundits or experts foresaw those events. The 'chaos theory', which mathematicians sometimes expound, explains how the fluttering of a butterfly's wings in an English country garden, can trigger a chain of events which may lead to a hurricane in South America.

Something like this has been happening in Eastern Europe. Perhaps it began with the death of Stalin and his denunciation by Khrushchev in 1956. Then came the Hungarian insurrection, the outbreaks of unrest in East Germany and Poland, the Prague Spring in 1968, the birth of Solidarity in Poland and the rise of Gorbachev.

His coded messages to satellite countries that communism could be changed without necessarily invoking Soviet military intervention, finally unleashed the avalanche. Even Gorbachev was caught unaware.

Long haul to prosperity

But the current cry for political and spiritual freedom is also matched by another need. The Western image has been decisive. The millions who have poured through the Berlin Wall and the young of Prague, Moscow, Sofia or Budapest, are not just drunk with an abstract desire for social justice and culture. Television has shown them a lifestyle they wish to emulate.

Life in a communist dictatorship is extremely boring. TV and radio have penetrated East European countries at a

million points and revealed the prosperity, vitality and competitiveness of the Western world. But here also, there is no magic that will give instant prosperity to these countries.

In East Germany, for instance, it is estimated that it will take five or ten years to rescue the country's economy from 40 years of communism – and will involve cutting subsidies on food, housing and most other things, as well as shedding unproductive jobs. And East Germans will have to work as hard and effectively as West Germans if they wish to achieve the same income. There are formidable problems here in the field of industrial relations.

Ethnic minorities

A further point is that most of the Eastern countries involved in the revolutionary changes have substantial ethnic minorities – the consequence of past wars and imposed boundaries. There are 2 million Rumanians and 1 million Poles in the Soviet Union, 1 million Germans in Poland, and 3 million Hungarians scattered throughout these and other countries.

National re-awakening among the oppressed peoples in these countries was as potent and positive a factor as any in last year's upheaval. Given these ethnic minorities, the worrying problem is how to prevent that force acquiring an aggressive edge leading to civil war.

This will require a high standard of political leadership throughout Europe. Former British Prime Minister David Lloyd George said, 'A politician is a person with whose policies you don't agree; if you agree with him he is a statesman'. Statesmanship of a high order will be necessary, if peace is to be kept in the newly emerging democracies.

Baltic countries' independence

The Baltic States present another area of sensitivity. There was applause for the Lithuanians when they made their declaration of independence earlier this year. Not a single member of the Nato

alliance has ever legally recognised Stalin's annexation of Lithuania, Latvia and Estonia in 1940. At the same time, they are all signatories to the 1975 Helsinki Declaration, which in its very first article (Principle 1) stated that frontiers could "be changed in accordance with international law, by peaceful means and by agreement". Furthermore, Principle 8 paragraph 2 is worth quoting in full, in the circumstances:

"By virtue of the principle of equal rights and self-determination of peoples, all people always have the right, in full freedom, to determine, when and as they wish, their internal and external political status, without external interference, and to pursue as they wish their political, economic, social and cultural development."

All this is grist to the politician's mill, but the historians will have a field day explaining why communism collapsed. Some points are obvious. No communist system has moved beyond the so-called 'dictatorship of the proletariat', in reality a dictatorship of the few, which was intended to be a temporary 'socialist' phase.

Designed to move to a classless, utopian society communism has stuck in a mould of oppression, its leaders devising their own class systems giving massive privileges to a select few. But two key issues have ensured communism's collapse.

Key to collapse

First, their economies have not worked. By stultifying private enterprise they have destroyed initiative and by so doing, grossly misunderstood human nature.

People want the opportunity to improve the lifestyle of themselves and their families. There has been no motivation in a system which speaks of fine ideals, but offers mediocrity, uniformity and shortages, not to mention oppression and corruption.

The other point is that TV, radio, tourism and technology, have shown just how far they were behind capitalist

countries. In the case of the Soviet Union the problem has been described as 'imperial overstretch' – military commitments to a vast empire which the domestic economy could not sustain. The Roman empire had the same problem and in a smaller way, so too had the British and French empires after the last war.

The damning indictment of communism, however, is its inability to satisfy people's basic needs. This is the main reason why Gorbachev wants to cut the military budget from its current unsustainable 15% of GNP. But that will not be enough.

The system as a whole is failing. In the Soviet Union, 40 per cent of all agricultural production is wasted because of poor refrigeration and distributive facilities. Poor nutrition means that a Russian cow yields 10 litres of milk daily compared to 25 litres yielded by its West European counterpart. The British Food Consortium now operating in Moscow is aiming to produce long life fruit juice, canned vegetables and dried milk for baby foods, to reduce some of this incredible waste of resources.

Resource waste and inefficiency

In the Soviet Union there are more graduate engineers than in the US, more research scientists than Japan's and more medical doctors per head than Western Europe – and yet, in the 1980's a Soviet family was less likely to own a motor car than a black South African one and consumption of meat per head is below that in many third world countries. The waste of resources is incredible.

There are other examples of commercial ineptitude. In Poland you expect to wait twenty years for a new telephone. In Hungary the waiting period is between five and ten years. Moreover, for several months last year, Warsaw residents who had a telephone number beginning with three could not call anyone whose number began with four.

Irreversible change?

In a political sense, however, the Soviet Union is the key to the whole

process of change we are witnessing. Gorbachev is on any reckoning a courageous man with astute political instincts. Some commentators have described him as 'the apocalypse of hope'. Of course, he may not survive and Western governments are understandably cautious in their reactions to events in Russia.

The real point is that Gorbachev has set in train a transformation in the Soviet state structure that is both open ended and seemingly irreversible. His actions have destroyed the docility which made totalitarianism possible. Glasnost has revealed Russians to themselves and they are not happy with what they see. Perestroika has not yet created viable new structures, but it has fatally weakened the old.

Most periods of history are characterised by slow plodding change, though every once in a while significant events occur which open up entirely new perspectives. After 40 years of Cold War, the self-imposed task for the free nations of Europe now, is to help construct a durable democratic framework for all of Europe.

The European Community, to which the UK belongs is the starting point. Through its technology, expertise and investment, as well as aid, it has the central task of cementing the new freedoms beyond its present borders and setting the old corrosive nationalisms within a greater democratic framework.

Lifting Eastern Europe up

But whilst democracy may be the best form of government human beings have devised, it is not a magic formula, delivering wealth and happiness to order. Singing liberation songs will not stop meat supplies running short in the shops of Warsaw or shorten the food queues in Budapest.

The Community is already responding to these challenges, though it will take time, maybe a few years, for East European states to adapt their struggling economies to market price mechanisms and to be able to compete openly with western Europe without massive emigra-

tion.

Commission President, Jacques Delors has pointed out that 14 billion ECUs of Community assistance per year will be needed if Eastern Europe is to be given the same aid now being sent to the poorer regions of the Community. To have effect, he further contends that these programmes would have to extend over a period of five to ten years.

The immediate need is for the Community to open its markets generously for both industrial and agricultural products. The encouragement of private investment and large scale debt relief would also be timely.

The steps ahead

These are merely broad brush strokes on the new European canvas, so to speak. What matters now is whether the Community has the will and determination to widen and deepen its activities to provide a lasting framework for the liberated countries of Eastern Europe and the eventual re-uniting of the German people.

In practice, deepening the Community means ensuring the Single Market of 1992 is a success and pushing on towards the monetary union which will make that market a reality. Giving the European Parliament an equal share in decision taking with the Council of Ministers, is another aspect of the deepening process.

This could be a key issue for the inter-governmental conference planned for next year. We cannot call the Community truly democratic, whilst the ultimate decisions are made by an oligarchy of Ministers who are accountable to a national, not a Euro electorate.

Widening the Community is of equal urgency, but also raises complex and controversial questions. Orthodox Euro-doctrine has been that enlargement of the Community cannot be considered before the mid 1990's.

The argument is that an administrative structure designed for 6 countries, now struggles to cope with 12 and that more additions, without structural change, will fatally weaken decision taking and endanger the drive to integration and a

more federal Europe. The Commission is obviously aware that the two issues must be dealt with together — or the institutions will be unable to cope.

The long queue to join

There's a nice touch of irony here. The downfall of East European communism will indirectly force the European Community to become more democratic. Countries interested in membership include Austria, Malta, Cyprus, Turkey and the new governments in Czechoslovakia, Poland and Hungary have also signalled their strong desire to join.

Finland, Iceland, Norway, Sweden and Switzerland are among others trying to work out where they stand in the new Europe which is emerging. Meanwhile, the creation of the new trading block EES (European Economic Space) which will comprise EFTA countries and the EC twelve, will expand the single market to cover both groups with the free movement of labour, capital, goods and services between them.

Nation state problems

This is the first possible scenario for an expanded European Community — obviously it bristles with problems. In Iceland sensitivities about fishing have not diminished since the Cod War in the seventies. Norway, too is uneasy at the prospect of fleets of Spanish trawlers off its coasts.

Cynics say Switzerland may eventually withdraw from the EES, as it would be unhappy at the free movement of labour proposals, which would send floods of immigrants to taste its luxury lifestyle.

The Scandinavian countries are also busy re-establishing their historic links with the Baltic republics, which are themselves at the sharp end of the fast changing East European scene. For Austria, the EES negotiations are a side-show, as the country applied for full membership of the Community last summer and has been told there is no chance of entry before 1993, though it sees East Germany sneaking in before then through the back door.

This political gossip shows the problems of bringing nation states together in a meaningful relationship. But this first scenario is feasible. It offers Western countries a phased entry procedure for full blown membership of the Community, via the EES, though there would be no compulsion to move from the EES to the EC.

For the East European countries the need to prepare their market price mechanisms and their economic and political systems for the rigours of Community membership may make EES membership seem a useful way to prepare for direct entry.

Powers and political will

The main threads of this 'confederal' option are clear — a choice of phased entry into the EC for those wishing to join and an urgent overhaul of the Community's administrative and decision taking procedures, especially the sharing of power between the Council of Ministers and the European Parliament and the wider use of majority voting.

'Where there's a will there's a way; but where there are several wills there may be no way', warned Shakespeare. Securing the political will to do something in the European Community means getting twelve apricots in a row on the Council of Ministers fruit machine — with enlargement a longer line of apricots will be even more elusive. The blueprint for this wider European Confederation, embracing states from the Urals to the Atlantic, may emerge at the 35 nation Conference on Security and Cooperation in Europe later this year.

A second Euro chamber?

The second scenario is even more controversial, as it tackles the issue of the 'democratic deficit' head on. In essence it would involve adding a second chamber or senate to the European Parliament, in which members of national parliaments would serve.

They could be elected or selected and the numbers could be based on the system of majority voting in the present

Council of Ministers, where Britain has 10 votes out of a total of 76. Following these proportions, Britain could have 20 members in a 'Senate' of 152 members. The Senate would enjoy the same powers as the European Parliament, but its final agreement would be required for all Euro-legislation.

The political sensitivities of this option are clear, especially the transfer of the last word from the Council of Ministers to the Senate, but it would bring European affairs into our national life. It would put final decisions in the hands of people elected by national, rather than Euro-electoral, though the crucial difference would be that the Council of Ministers represent national governments, whereas the members of the suggested Senate would represent national parliaments.

On balance this might be an advantage, by diluting nationalism and preventing governments playing national politics on Euro issues via the Council of Ministers. This American style remedy to the 'democratic deficit' has been put forward in a similar way by British MP Michael Heseltine. This may make it even more controversial, but it is still worth considering.

Going round in 'concentric circles'?

Scenario three involves a Europe of concentric circles and versions of this idea have been put forward by Lord Cockfield, Jacques Delors and Chancellor Kohl's advisers. The inner ring or core would be a United States of Europe, probably comprising France, West Germany, Italy, the Benelux countries and Spain. The next ring would involve Britain and the rest of the 12, who do not wish to join the political union, but remain members of the European Community. The third circle would comprise the members of EFTA, who would be allowed to participate in the benefits of 1992 and perhaps have other negotiated facilities. Eastern countries would form the outer ring.

One snag with this superficially plausible scheme is that countries might

wish to move from outer to inner circles, so rules for such transfers would have to be made. Britain, for instance, might kick off in circle 2, but then see its interests best served by being at the heart of the European union, where key decisions are made. Political union may be seen as the most effective way to ensure some kind of democratic control of what at present is the invisible and unaccountable hand of the single market process.

In the same way EFTA countries might wish to move inwards and East European countries will clearly not wish to remain permanently in the outer circle, once they had developed their market economies and created stable democratic governments that worked.

All this, of course, is speculation, but scenario 1 seems the most likely way forward, though it leaves political changes in the Community's institutions to be scrambled through piecemeal. Ideally a combination of scenarios 1 and 2, or 2 and 3 would make sense — but we shall see.

Matching changes to new needs

The one certainty is that radical change and adaptation will be key words on top-level political agendas for some time to come. A loose knit group of nations with trading relationships, was never an answer to Europe's problems even before the Community was formed.

With the changes in Eastern Europe, the Community itself will have to change to match the new needs created by events. Europe's leaders will have to make up their minds exactly where they are going. Cliches and claptrap are out. Courage and vision are in.

Europe needs crusaders and pragmatists. They might well ponder the words of the Roman statesman Seneca, who said 2000 years ago, 'If one does not know to which port one is heading, no wind is favourable'.

The British government in particular, will be faced with its most important constitutional decision in decades. The consequences of standing aside from European Union are likely to be far greater than the decisions taken in the

1950's and 60's not to join the
Community at all.

COMMON CAUSE

OBJECTIVES

1. Common Cause is a non-profit making organisation.
2. It has never had any party political affiliation.
3. Its principal objective is to uphold the existing democratic freedoms of Britain.
4. It opposes any form, however disguised, of totalitarianism, whether from the right or the left.
5. It opposes, in particular, the spread of Communism in all forms and the activities of all revolutionary and subversive parties, such as National Front, Marxists, Trotskyists and other forms of militant and extremist organisations.
6. It is concerned to expose the activities of Terrorists.
7. It undertakes to research and prepare reports on behalf of selected organisations who feel they have been unfairly represented by the Media and/or others.

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MEETING RECORD

Subject cc MASTER

NOTE FOR THE RECORD

The Prime Minister discussed wage negotiating machinery in the UK with Mr. Jack Peel on 2 May.

Mr. Peel said that one of the main problems with UK negotiating practices was the concept of the "going rate" on wage settlements. This, along with the expectation of automatic entitlement to annual wage increases irrespective of economic circumstances, was continuing to put immense strain on the economy. As the Director General of the CBI had pointed out in a recent speech, unions sought performance related pay in good years: but they still sought the going rate in bad times. The emergence of a going rate and regular annual increases had occurred since the 1950s. It would be desirable to reverse this and move to either longer period settlements or simply no increase at all in certain years.

A number of UK unions including the GMB and the MSF were linking up with their European counterparts with the aim of establishing a European-wide going rate for certain jobs in areas like tourism. That completely ignored differences in productivity and performance across countries. The Prime Minister noted that unit labour costs were rising at about 6 per cent per annum in the UK as against 1 per cent in France and zero in Germany: the UK could only move towards European levels of pay within a framework of zero growth in unit costs and large increases in productivity.

Secondly, Mr. Peel said that the RPI was also a source of inflation rather than just a measure. With its link to wage costs through the going rate concept, it made it difficult to reverse inflation - not least when starting from relatively high level as at present. One cause of the recent increase in the RPI had been rises in public sector prices: would it be possible to require all public sector price increases to be kept below the relevant RPI on an "RPI minus x" formula basis? Also might large companies be required to have any pay awards in excess of the RPI distributed in the form of share allocations or held in

suspense accounts in banks rather than ^{being} ~~bank~~ distributed directly as higher wages?

Finally, on the public sector there could be a problem of fragmentation in the UK. In France there was an annual settlement for all public sector workers. This year the settlement had been 2.5 per cent - below the rate of inflation. The French preferred to have occasional confrontations with the public sector - that were nonetheless massive in scale. In Germany the public service had no right to strike and wage settlements were settled on an aggregate basis. In the USA the use of pendulum bargaining was common.

The Prime Minister noted that there were indeed a variety of arrangements in place for different groups of public sector workers within the UK. But she was not attracted to the French or German practices which were essentially corporatist in approach. Accordingly, they did not pay attention to local circumstances, differences between different groups of workers, etc.

In conclusion, Mr. Peel said it was vital to get away from the concept of collective bargaining. As the economy had now developed, bargaining was mainly between small groups of workers on a localised basis: that made it easier to reflect both local labour market conditions and the circumstances of the individual firm. But there were still large areas, particularly in the public sector, which negotiated on the old-fashioned collective basis.

Mr. Peel said he would provide a note to the Prime Minister setting out his ideas more fully.

BHP

B. H. POTTER

2 May 1990

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(slh)

PRIME MINISTER

MEETING WITH JACK PEEL

Mr. Peel is coming in to see you on Wednesday at 1500. I telephoned him this morning to find out what he wishes to talk about.

Mr. Peel will offer some thoughts on inflation, wage negotiations and the wage round. In particular I believe he plans to talk about the difficulties of handling the wage round and industrial relations at a time of high inflation. He thinks there are some lessons which can usefully be drawn from French and German experience. As background, I attach a note setting out the latest assessment of wage settlements and negotiations in progress in the current wage round.

BHP

BARRY H. POTTER

30 APRIL 1990

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BARRY POTTER

cc Amanda Ponsonby

JACK PEEL

From time to time the Prime Minister likes to have half hour meetings with Mr Jack Peel. He is a former trade union leader who then worked quite a long spell in the Commission in Brussels. His attraction is that he is a "convert". Occasionally he offers insights and quotes the Prime Minister finds very helpful.

So about every six months Jack Peel rings up and asks for a meeting. Usually I put him off for a while but then agree after the second or third call! Following this stately dance I have fixed with him today that he will come in on Wednesday 2 May at 1500. He wants to offer some thoughts on prospects for forthcoming wage negotiations and, possibly, the Social Charter debate in Europe.

You may want to glance at the earlier papers - CF have a special file for him. I have told him that I am moving on and that you will be looking after him in future!

Paul

Paul Gray

4 April 1990

c: Peel (MJ)

SUBJECT
Ce MASTER

NOTE FOR THE RECORD

PRIME MINISTER'S MEETING WITH MR. JACK PEEL: 29 NOVEMBER

Jack Peel saw the Prime Minister for 20 minutes on 29 November to discuss the prospects for the Social Charter discussion at Strasbourg.

At the start of the meeting Mr. Peel handed over the attached aide memoire. He argued that the UK Government should not be unduly concerned about signing up to the revised Commission draft of a Declaration of Principle. Such a format was the weakest form of Community endorsement and would not significantly bind the UK in subsequent discussions. The key battle ground would be in the subsequent debates on the Action Programme, and the UK could make its acceptance of the Declaration of Principle conditional on the outcome to the detailed Action Programme discussions. He said that his concern was that, if the UK continued to oppose the draft Declaration of Principle, it could find itself in a minority of one, and be seen - both by its partners and the general public - to be being awkward for the sake of it.

The Prime Minister responded that she could not accept this approach. The present Commission was much more anxious to extend its area of competence than its predecessors were when Mr. Peel worked in Brussels. Were the UK to agree to the present draft Declaration this would acknowledge the Commission's right to extend its competence into areas like minimum wage legislation. That was totally unacceptable. The approach she therefore planned to adopt in Strasbourg was to resist the present draft Declaration and to present a revised form of Charter which the UK could accept and which would not involve unacceptable extensions of Commission competence.

Pauc.

PAUL GRAY

1 December 1989

c:\wpdocs\economic\peel

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Points for EC Social Charter at Strasbourg.

1. The Charter is now intended to be a Declaration of Principle and has been modified substantially to try and overcome the reservations of Ireland, Denmark, Portugal, Holland and the UK.
2. The main changes include items to which the UK has been strongly opposed. For example; there is now only a recommendation on minimum wages, vaguely worded rules on the maximum length of the working week and a general statement of encouragement for worker participation, information and consultation. The Commission has also conceded that there should not be Euro legislation on the right to strike, or to join a union. The Charter now seems to focus mainly on social security rights for foreign workers, working conditions, health and safety, social protection and rights for young and handicapped workers.
3. The unions and their political allies seem to feel they have got as far as they can with the 47 proposals in the Charter. They see it as destined to become a Declaration of Principle. They are now going to concentrate on the accompanying Action Programme, though each proposal will have to be considered separately and member states will be able to oppose any measure thought to be detrimental to their interests.
4. Given this switch in tactics by the Commission and the unions, I believe the UK should switch its own stance. Until now, we have opposed not just the content of certain proposals, but the fact that they were going to be thrust on us by Euro legislation. Now the controversial measures have been toned down and the commitment reduced from legislation to a Declaration of Principle, we should transfer our attention to the action programme and oppose those legislative measures we feel would be damaging to our industry and economy.
5. We should agree to the Declaration of Principle on the Social Charter. It will not commit us to anything legislatively and it avoids us being dubbed as 'the odd man out'. We should add, of course, that we shall be watching the accompanying action programme closely and will continue to oppose Euro legislation in those areas where we feel it will damage the labour market, increase costs and hamper our ability to compete effectively.

Jack Peel.

CD
1/12

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39 Old Newbridge Hill,
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Bath (0225) 423959

Points for EC Social Charter at Strasbourg.

1. The Charter is now intended to be a Declaration of Principle and has been modified substantially to try and overcome the reservations of Ireland, Denmark, Portugal, Holland and the UK.
2. The main changes include items to which the UK has been strongly opposed. For example; there is now only a recommendation on minimum wages, vaguely worded rules on the maximum length of the working week and a general statement of encouragement for worker participation, information and consultation. The Commission has also conceded that there should not be Euro legislation on the right to strike, or to join a union. The Charter now seems to focus mainly on social security rights for foreign workers, working conditions, health and safety, social protection and rights for young and handicapped workers.
3. The unions and their political allies seem to feel they have got as far as they can with the 47 proposals in the Charter. They see it as destined to become a Declaration of Principle. They are now going to concentrate on the accompanying Action Programme, though each proposal will have to be considered separately and member states will be able to oppose any measure thought to be detrimental to their interests.
4. Given this switch in tactics by the Commission and the unions, I believe the UK should switch its own stance. Until now, we have opposed not just the content of certain proposals, but the fact that they were going to be thrust on us by Euro legislation. Now the controversial measures have been toned down and the commitment reduced from legislation to a Declaration of Principle, we should transfer our attention to the action programme and oppose those legislative measures we feel would be damaging to our industry and economy.
5. We should agree to the Declaration of Principle on the Social Charter. It will not commit us to anything legislatively and it avoids us being dubbed as 'the odd man out'. We should add, of course, that we shall be watching the accompanying action programme closely and will continue to oppose Euro legislation in those areas where we feel it will damage the labour market, increase costs and hamper our ability to compete effectively.

Jack Peel.

PRIME MINISTER

MEETING WITH JACK PEEL: 29 NOVEMBER

You last saw Jack Peel in June, when you talked about the Social Charter and industrial disputes in the transport industries. He has been pressing for another meeting, and I have arranged it for tomorrow so that you have a chance for a word with him in advance of Strasbourg.

I suggest your main aim should be to see whether he has any useful thoughts on the handling of the Social Charter discussion at Strasbourg. You may like to be reminded of the latest letter he sent you about this in September (below).

At the last meeting Jack was angling for some consultancy work with the Department of Transport. I passed this point on to the Department but I suggest you avoid being drawn on this if Jack raises it again tomorrow.

PEG.

PAUL GRAY

28 November 1989

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file DT5



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 November 1989

Further to my telephone call, I am writing to confirm that your meeting with the Prime Minister is pencilled in for 1600 on Wednesday 29 November.

MRS. AMANDA PONSONBY

Jack Peel, Esq.

A handwritten signature in blue ink, appearing to be 'JP' or similar initials.



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

9 October 1989

Dear Sir,

Thank you for your two letters of 28 September concerning the Social Charter and industrial relations in the railway industry. It is very helpful to have your thoughts on these matters, and I shall bear your suggestions in mind as we continue our resistance to the Commission's ideas on the Social Charter.

Yours ever

Margaret

Jack Peel, Esq.

885

PART 1 ends:-

Peel to PM 28.9.89

PART 2 begins:-

PM to Peel 9.10.89

Grey Scale #13



A 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19

