

1. cc Mr Rofford
Mr Hulse
Mr Lever
Mr Gurr-Booth
Mr Bain
Miss Spencer



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From the Private Secretary

Mr Arthur, Fed(1) (75)
a Mr Ken
Urgent advice please
(by letter on 16/9)
L/S/9

I (naturally!) think this is not quite as good as our version; but I don't think we need offer many new amendments.

14 September 1988

Joe

Bob

Grateful for any suggestions, or nil returns, by tonight, please.

J.P.L.
15/9

2. JOK.
again

PRIME MINISTER'S SPEECH IN BRUGES

I now attach a further version of the speech which reflects discussion with the Prime Minister. As you will see, I have substantially rewritten the earlier part of the speech and there are other important changes elsewhere. The Prime Minister is now broadly content with it. I should be grateful if you and other recipients of the draft could let me have further comments and amendments by 1500 hours on Friday 16 September. This is likely to be the last opportunity to comment before we start typing up the text for the autocue on Monday 19 September.

On a specific point, the Prime Minister would like to include at the end of the section on 'Europe Open to Enterprise' a short paragraph on aspects of the single market where the UK is well ahead of its partners in having opened up its own market, eg. coastal shipping, insurance and financial services. I should be grateful if you and the DTI could let me have a draft.

I am copying this letter and enclosure to Alex Allan (H M Treasury), Neil Thornton (Department of Trade and Industry), Brian Hawtin (Ministry of Defence), Shirley Stagg (Ministry of Agriculture, Fisheries and Foods) and Roger Lavelle (Cabinet Office).

MWB 30/9

Yours sincerely,
C. D. POWELL

C. D. POWELL

SM 11/9/88

R. N. Pearce, Esq.,
Foreign and Commonwealth Office

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As at 14/9/88

SP3ABM

PRIME MINISTER'S SPEECH

ON

EUROPE

IN

BRUGES

ON

20 SEPTEMBER 1988

First, may I thank you for giving me the opportunity to return to Bruges - and in very different circumstances from my last visit shortly after the Zeebrugge ferry disaster, when Belgian courage and the devotion of your doctors and nurses saved so many British lives.

Second, may I also thank you for inviting

me to deliver my address in this
magnificent hall.

What better place to speak of Europe's
future than in a building which so
gloriously recalls the greatness that
Europe had already achieved over 600 years
ago?

Perhaps I should also thank you for your
bravery in inviting me to speak on the

subject of Europe at all.

If you believe some of the things said and written about my views on Europe, it must seem rather like inviting Genghis Khan to speak on the virtues of peaceful co-existence.

Britain and Europe

I want to start by disposing of some myths

about my country, Britain, and its
relationship with Europe.

And to do that I must say something about
the identity of Europe itself.

Europe is not the creation of the Treaty of
Rome.

Nor is the European idea the property of
any group or institution.

We British are as full heirs to the legacy

of European culture as any other nation.

Our links to the rest of Europe, the continent of Europe, have been the dominant factor in our history.

For three hundred years we were part of the Roman Empire and our maps still trace the straight lines of the roads the Romans built.

Our ancestors - Celts, Saxons and Danes - came from the continent.

Our nation was - in that favourite Community word - "restructured" under Norman and Angevin rule in the eleventh and twelfth centuries.

This year in particular we celebrate the three hundredth anniversary of the Glorious Revolution in which the British crown passed to King William of Holland and

Queen Mary.

Visit the great Churches and Cathedrals of
Britain, read our literature and listen to
our language: all bear witness to the
cultural riches which we have drawn from
Europe - and Europeans from us.

We in Britain are rightly proud of the way in
which, since Magna Carta in 1215, we have

pioneered and developed representative institutions to stand as bulwarks against tyranny and bastions of freedom.

And proud too of the way in which for centuries Britain was a home for people from the rest of Europe who sought sanctuary from tyranny.

But we know that without the European legacy of political ideas we could not have

achieved as much as we did.

From classical and medieval thought we have borrowed that concept of the rule of law which marks out a civilised society from barbarism.

And on that concept of Christendom - for long synonymous with Europe - with its recognition of the unique and spiritual nature of the individual, we still base belief in individual liberty and other

human rights.

Too often the history of Europe is described as a series of interminable wars and quarrels.

Yet from our perspective today surely what strikes us most is our common political experience.

The story of how Europeans explored and colonised and - yes, without apology -

civilised the world is an extraordinary
tale of talent and valour.

We British have in a special way contributed to
Europe.

For over the centuries we have fought and
died for her freedom, fought to prevent
Europe from falling under the dominance of
a single power.

Had it not been for that, Europe would

have been united long before now - but not in liberty or justice.

The way in which in this century we have fought tyranny in Europe, and still today station 70,000 British servicemen on the mainland is proof enough of our commitment to its future.

The European Community is one manifestation of that European identity.

It is not the only one.

We must never forget that East of the Iron Curtain peoples who once enjoyed a full share of European culture, freedom and identity have been cut off from their roots.

We shall always look on Warsaw, Prague and Budapest as great European cities.

Nor should we forget that European values

have helped to make the United States of America into the dynamic defender of freedom which she has become.

The history of Europe itself cries out against the creation of an inward-looking super-State.

A citizen of Europe is a citizen of the world - the world whose values and standards Europe herself has done so much to create.

Europe's Future

This is no arid chronicle of obscure historical facts.

It is the record of nearly two thousand years of British involvement in Europe and contribution to Europe, a contribution which is today as strong as ever.

Yes, we have looked also to wider horizons - and thank goodness we did, because

Europe would never have prospered and never will prosper as a narrow, inward-looking club.

But that does not diminish the fact that Britain is as full, as rightful, as wholeheartedly a part of Europe as any other member state of the European Community.

The European Community belongs to all its

members, and must reflect the traditions and aspirations of all of them in full measure.

And let me be quite clear.

Britain does not dream of an alternative to the European Community or of a cosy, isolated existence on its fringes.

Our destiny is in Europe, as part of the Community - although that is not to say

that it lies only in Europe, any more than that of France or Spain or indeed the Community itself does.

The Community is not an end in itself.

It is not an institutional device to be constantly modified because of the dictates of some abstract theory.

Nor must it be ossified by endless regulation.

It is the practical means by which Europe can ensure its future prosperity and security in a world in which many other powerful groupings are emerging.

We Europeans cannot afford to waste our energies on internal disputes or arcane institutional debates.

They are no substitute for effective action.

Europe has to be ready both to contribute in full measure to its own security and to compete - compete in a world in which success goes to the countries which encourage individual initiative and enterprise, rather than to those which attempt to diminish them.

I want this evening to set out some guidelines for the future which I believe will ensure that Europe does compete and will succeed, not just in economic and defence terms but in the quality of life of its people.

Strength through Diversity and Individual

Freedom

My first guideline is this: willing and active cooperation between independent sovereign states is the best way to build a successful European Community.

Europe will be stronger precisely because it has France as France, Spain as Spain,

Britain as Britain, each with its own customs and traditions.

It would be folly to artificially standardise them to fit some sort of neutral, identikit European personality.

Some of the founding fathers of the Community thought that the model might be the United States of America.

But the whole history of America is quite different from Europe.

People went there to get away from the intolerance and constraints of life in European countries.

They sought liberty and opportunity; and their strong sense of purpose helped create a new unity and pride in being American - just as our pride lies in being British or Belgian or Dutch or

German.

I am the first to say that on many great issues the countries of Europe should try to speak with a single voice.

I want to see them work more closely on the things we can do better together than singly.

Europe is stronger when we do so, whether it be in trade, or in our relations with

the rest of the world.

But working more closely together does not require the creation of a new and artificial European super-state.

It is ironic that just when those countries such as the Soviet Union, which have tried to run everything from the centre, are learning that success depends on dispersing power and decisions away from

the centre, some in the Community seem to want to move in the opposite direction.

Fortunately, they are not succeeding.

In the Single Market programme the Community is adopting measures designed to free markets, to widen choice, and to produce greater economic convergence through reduced government intervention.

And quite right too.

We have not successfully rolled back the

frontiers of the state at home, only to

see them reimposed at a European level,

[with a European super-state exercising a
new dominance from Brussels.]

Certainly we want to see Europe more

united and with a greater sense of common

purpose. But it must be in a way which

preserves the different traditions,

customs and the sense of pride in one's own country, for these have been the source of Europe's vitality and inventiveness through the centuries.

Encouraging Change

My second guideline is this.

Community policies must tackle present problems in a practical way and the

solutions must be relevant to the world in which we live.

If we cannot reform those Community policies which are patently wrong or ineffective and which are rightly causing public disquiet, then we shall not get the public's support for the Community's future development.

That is why the achievements of the

European Council in Brussels last February
are so important.

It wasn't right that ^{really} over half the total

Community Budget was being spent on ~~producing~~

7 storing and disposing of surplus food. ^{alone}

Now those stocks are being sharply
reduced.

It was absolutely right to decide that

agriculture's share of the budget should be cut in order to free resources for policies which create jobs.

It was right too to introduce tighter budgetary discipline to enforce these decisions.

Those who complained that the Community was spending so much time on

financial detail missed the point.

You cannot build on unsound foundations;
and it was the fundamental reforms agreed
last winter which paved the way for the
remarkable progress which we have since
made on the Single Market.

But we cannot rest on what we have achieved so
far.

We still need further improvements in

financial management and control.

And the task of reforming the Common

Agricultural Policy is far from complete.

I accept that the Common Agricultural Policy

has played an essential role in the

construction of Europe.

Europe needs a stable and efficient

farming industry.

But the CAP has become unwieldy and inefficient.

It has placed a high cost especially on our taxpayers, but also on consumers.

And production of unwanted surpluses neither safeguards the income nor the future of farmers themselves.

In the last few years we have achieved some important reforms.

The decisions we took this February mark a major advance in controlling our spending on agriculture.

We must continue to pursue policies which relate supply more closely to market requirements, and which will reduce overproduction and limit costs.

Yes, we must protect the villages and rural

areas which are such an important part of our national life.

But we should do so by exploiting new technologies and better communications to create jobs in rural areas so that people will have the opportunity to stay in their communities, where they will have a better quality of life and conserve the landscape.

This will be far less of a burden on the

consumer and the taxpayer than simply piling up ever larger surpluses.

Tackling these problems requires political courage.

The Community will only damage itself in the eyes of its own people and the outside world, if that courage is lacking.

Europe open to enterprise

My third guideline is the need for the Community to encourage individual enterprise if it is to flourish and succeed.

The basic framework is there: the Treaty of Rome is in fact a Charter for Economic Liberty.

But that is not how it is read nowadays,
still less applied.

Our own experience in Britain has pointed
the same way.

We have rediscovered the spirit of
enterprise by realising that public
resources are in fact private resources
taken by the state, and that the
individual is far better equipped to take

many decisions than the state is.

The lesson of the economic history of

Europe in the 70s and 80s is that

"dirigisme" doesn't work, and that

personal endeavour and initiative does.

That central planning is a recipe for low

growth; and that free enterprise

within a framework of law brings better

results.

The aim of a Europe open for enterprise is

the moving force behind the creation of the Single European Market by 1992.

By getting rid of barriers, by making it possible for companies to operate on a Europe-wide scale, we can best compete with the United States, Japan and the other new economic powers emerging in Asia and elsewhere.

But completion of the Single Market must
not mean tying ourselves up in ever more
regulations.

Our aim should be not to regulate more or
to issue ever more directions from the
centre: it should be to deregulate, to
liberalise and to open up.

It should mean not only fewer regulations, but

simpler and clearer ones.

Take monetary matters.

The key issue is not whether a European Central Bank is necessary.

The real requirements are:

- full implementation of the Community's long overdue commitment to free movement of capital round Europe, and to the abolition throughout the Community of the

exchange controls which were abolished in Britain in 1979, so that people can invest wherever they wish.

And abolishing exchange controls throughout the Community must not mean creating new controls between Europe and the rest of the world.

- the establishment of a genuinely free market in financial services, in banking,

insurance, investment.

- greater use of the ecu.

Britain is this autumn issuing
ecu-denominated Treasury bills, and hopes
to see other Community governments
increasingly do the same.

These are the real requirements because
they are what Community business and

industry need, if they are to compete effectively in the wider world.

And they are what the European consumer wants, for they will widen his choice and lower his costs.

It is to such basic practical steps that the Community's attention should be devoted, not to a European Central Bank which is a distraction from them.

Alas, some people resort to rhetoric because they are not prepared to face the practicalities.

It is the same with frontiers.

Of course we must make it easier for goods to go through frontiers.

Of course we must make it easier for our people to travel throughout the Community.

But it is a matter of plain commonsense that we cannot totally abolish frontier controls if we are to protect our citizens and stop the movement of drugs, of terrorists, of illegal immigrants.

[Indeed only three weeks ago a single, brave German customs officer doing his duty on the frontier between Holland and Germany struck a major blow against the terrorists of the IRA].

Europe open to the world

My fourth guideline concerns the

Community's role in the world.

We cannot properly safeguard the

prosperity of Europe unless the world

prosper: so we must ensure that our

approach to world trade is consistent with

the liberalisation we preach at home.

Just as economic success in each of our countries has come from restructuring, from getting rid of restrictive practices and reducing subsidies, and by privatising state-run industries, so the expansion of the world economy requires us to continue the process of removing barriers to trade, and to do so in the multilateral negotiations in the GATT.

It would be a travesty if, while breaking

down constraints on trade to create the

Single Market, the Community sought

greater external protection.

Such a course would damage the

multilateral trading system: it would also

damage the Community itself.

Instead we should be seeking to persuade

others in GATT to open their markets too,

thus contributing to global
liberalisation.

One of the key issues in the current GATT

negotiations is agriculture.

But we shall not succeed in persuading
others to reform their agriculture unless
we in Europe are also prepared to go
further down that road - and discussion at
the Toronto Economic Summit revealed that

there is still considerable resistance to that.

We have a responsibility to give a lead here, a responsibility which is particularly directed towards the less developed countries.

More than anything they need improved trade opportunities, not to be regarded as perennial pensioners forced to reply

on Europe's agricultural surpluses in the
guise of food aid.

Europe and Defence

Lastly, and perhaps the most fundamental issue,

the European countries' role in defence.

And here my guideline is that we must

fully live up to that responsibility,

even if it means taking difficult
decisions and meeting heavy costs.

Thankfully we can be satisfied with what NATO
has achieved over 40 years.

The fact is things are going our way: the
democratic model of a free enterprise
society has proved itself superior;
freedom is on the offensive, a peaceful
offensive, the world over for the first

time in my life-time.

But there can be no question of relaxing
our efforts.

Rather we must strive to maintain the US
commitment to Europe's defence, while
recognising the burden on their resources
of their world role and their natural
desire to reduce their defence spending in
Europe itself - particularly as Europe

grows wealthier.

Increasingly they will look to Europe to play a bigger part in out-of-area defence, as we have recently done in the Gulf.

We must keep public confidence in the continuing need for nuclear deterrence, remembering that obsolete weapons do not deter, hence the need for modernisation.

We must meet the requirements for effective conventional defence in Europe against Soviet forces - tanks, aircraft, artillery - which are constantly being modernised.

This is a responsibility none of us can evade.

Above all at a time of change and uncertainty,

in the Soviet Union and Eastern Europe, we must preserve Europe's unity and resolve, so that whatever may happen our defence is sure.

At the same time, we must keep open the door to cooperation on arms control and all the issues covered by the CSCE.

NATO and the WEU have long recognised

where the problems lie and have pointed

out the solutions.

The time has come when we must give substance to our declarations about greater defence effort and better value for money which have for too long remained empty phrases.

It's not an institutional problem.

It's not a problem of drafting.

It's something much more simple and more

profound: it is a question of political will and political courage, of convincing people in all our countries that we cannot rely for ever on others for our defence but must shoulder more of the burden ourselves.

The future must lie:

- in strengthening NATO, not in seeking alternatives to it;

- in increasing military co-operation between all NATO's members, including those who cannot bring themselves to integrate their forces fully with NATO;
- and in developing the WEU, not as an alternative to NATO, but as a means of strengthening Europe's contribution to the common defence of the West.

It is to this task, to enhancing our

security, that the weight of European governments' intellectual and political effort will need to be devoted over the next few years.

Only then will this generation of European leaders be able to claim with confidence that we have matched the vision and the fearless courage of the post war generation: that the Europe we hand on to

our successors is more prosperous, more enterprising, and more secure.

The British approach

I have set out five ways in which we in

Britain want to see Europe develop.

It is a pragmatic, rather than visionary

approach, and none the worse for that.

It does not require new documents: they are all there, in the North Atlantic Treaty, the Revised Brussels Treaty, and the Treaty of Rome, texts written by far-sighted men, a remarkable Belgian - Paul Henri Spaak - among them.

What we need now is to get on with the job, implementing those texts, rather than

letting ourselves be distracted by utopian goals.

Utopia never arrives and we should not like it if it did.

However far we may all want to go, the

truth is that you can only get there one step at a time.

Let us concentrate on making sure that we get those steps right.

Let Europe be a family of nations,
understanding each other better,
appreciating each other more, having
better acquaintance of each other's
language and customs, but relishing our
individual identity no less than our
common culture.

Let us see the barriers against individual
enterprise and initiative brought down, to

create a real common market in the common interest.

Let us have a Europe which looks outward not inward, and which preserves that Atlantic Community - that Europe on both sides of the Atlantic - which is our greatest inheritance from the post war period and our greatest strength.