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Dear Charles

PRIME MINISTER'S SPEECH IN BRUGES

(63)

Thank you for sending me a copy of your letter of 14 September to Bob Pierce.

Monetary matters

2. The Chancellor's main concerns were over the section on monetary matters. He felt in particular that the sentence on Page 46 that "abolishing exchange controls throughout the Community must not mean creating new controls between Europe and the rest of the world", should be omitted. It is a red herring, since (a) the Community is committed to the "highest possible degree" of liberalisation vis a vis third countries and (b) neither we nor, for example, Germany would be prepared to erect such controls; hence there is no point in any other EC country doing so, since residents could divert their transactions via the UK or Germany.

3. We had a few drafting points, on page 45 of this section:

- (i) Change "the real requirements" to "the immediate and practical requirements".
- (ii) Change the "long overdue commitment" to "the recent commitment".



Defence

4. We had several comments on the Defence section, in particular to avoid the draft accepting that the issue is about burden sharing between the US and Europe, rather than within the Atlantic as a whole.

- (i) On page 58, delete "natural" in the third last line.
- (ii) On pages 58 and 59, delete the words "particularly as Europe grows wealthier".
- (iii) On Page 59, delete "bigger" in the third line.
- (iv) On Page 62, change "greater defence efforts" to "strong defence effort".
- (v) On page 63 amend the fifth line so that it reads "...but each member of the Alliance must shoulder a fair share of the burden".

Agriculture

5. We had the following drafting comments on the agriculture/Community budget section:

- (i) On page 33, change "policies which create jobs" to "other policies". This avoids giving the impression either that Government spending "creates" jobs, or that we support emphasis on "job creating" programmes.
- (ii) Also on page 33, add at the end of sixth line "and to bring total EC spending under better control"; we don't just want to reduce agriculture's share of a ballooning budget.
- (iii) On page 36, add at the end of the first sentence "and grossly expensive".

Possible additions

6. We have two suggestions for new points which you might like to consider.

- (i) On pages 57-58, you could use the quote from Mr Gorbachev's recent speech to the special conference of the Communist Party of the Soviet Union: "A key place in the new thinking is occupied by the concept of free choice".
- (ii) It might be worth considering commenting on the concept of "social space", of the "social dimension" of 1992.



The Secretary of State for Employment wrote to the Foreign Secretary about this earlier this week (letter of 13 September, headed "EC Social Affairs"). This speech would be an opportunity to make the point that the internal market is not a vehicle for reestablishing corporatism at the European level, implicitly rebutting Delors' TUC speech.

7. I am copying this letter to Bob Pierce (FCO), Neil Thornton (DTI), Brian Hawtin (MOD), Shirley Stagg (MAFF), and Roger Lavelle (Cabinet Office).

*Your
Alex*

A C S ALLAN
Principal Private
Secretary