

REFERENCE A

EUROPEAN COMMUNITIES
THE COUNCIL

Brussels, 30 November 1983 (01.12)

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Athens

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from : Presidency
dated: 30 November 1983
to : European Council, Athens, 4 to 6 December 1983

Delegations will find attached a report drawn up by the Presidency for the European Council meeting in Athens.

This takes the form of draft conclusions for all sections where the Presidency believes it possible for a consensus to be achieved; in the case of matters for which the Special Council has formulated differing options, alternative versions have been given in square brackets.

In some cases where detailed discussion has not taken place or has not produced clear guidelines, the versions already discussed will be found together with the alternatives put forward.

New policies are set out in a brief text showing the major policy options. The Presidency believes this text could serve as a basis for the conclusions of the European Council.

*Sidelined passages indicate where UK wants
a change in the text.*

INTRODUCTION

The European Council reached agreement on a series of decisions and guidelines to ensure the relaunch of the Community and establish a solid basis for the further dynamic development of the Community over the remainder of the present decade.

During this period, it is important to maintain and consolidate the "acquis communautaire", particularly the common agricultural policy, increase efforts to promote greater convergence between the Member States, allow enlargement under satisfactory conditions and give special priority to action to strengthen the competitiveness of Community industries.

The European Council considers that by pursuing these guidelines the Community will make the greatest possible contribution to the effort which is being given priority in all the Member States, namely the combating of unemployment by the creation of lasting jobs. The European Council also considers that any development in the Community's policies and actions which makes a significant contribution to the economic growth of the Member States would increase the capacity of the latter to pursue and step up their development policies towards the third world, something which is and will remain one of the Community's objectives and central concerns.

The European Council considers, finally, that only greater European integration will enable the Community to play its full role in international endeavours to re-establish economic and monetary stability, and consequently to bring about a recovery in the world economy.

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COMMON AGRICULTURAL POLICY

The European Council, anxious to ensure the continuity and development of the common agricultural policy in compliance with the basic principles thereof, especially the objectives set forth in Article 39, while recognizing that an effort to rationalize is necessary, adopted the following decisions and guidelines.

1. General policy on prices and guarantee thresholds

The European Council agrees that the Community pursue a cautious, and in some cases restrictive, price policy.

The European Council also considers that guarantee thresholds constitute an appropriate way of coping with the problems of structural surpluses and preventing them from being formed.

2. Commercial policy

With regard to export policy, the European Council takes the view that the implementation of measures permitting compliance with guarantee thresholds and, among other things, partial or total producer participation in disposal costs, will enable the Community to develop its agricultural export policy for all products on a sounder economic basis. This would create the conditions in which it would be possible to conclude framework agreements for the supply of agricultural products to non-member countries, and particularly certain developing countries which have made this request to the Community as part of their food security policies.

In particular, it would be advisable to harmonize, within the EEC, the various ancillary measures on trade in agricultural products, particularly the policies on export credit and export credit guarantees. To that end, the Commission is requested to submit to the Council proposals on the practical measures which should be taken.

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With regard to import policy, the Community will, bearing in mind the need to ensure adequate compliance with Community preference, have to reconsider the arrangements applicable to the various products in order to adapt them to the market situation, both in cases where unilateral concessions have been granted for reasons of general commercial policy and foreign policy and in cases where the Community has signed international undertakings on agricultural imports in return for reciprocal concessions in agricultural or other sectors. This examination will have to be made while complying with the Community's international obligations.

The European Council would also stress the importance of an international co-operation, on a reciprocal basis, with the principal exporting countries, in order to counteract the downward trend in world prices.

3. Milk

The serious and persistent imbalance between supply and market-outlets calls for rapid and effective measures to control future production and budgetary costs for as long as is necessary.

Accordingly, the following measures will have to be implemented for four years starting in the 1984-1985 marketing year, with a review after three years:

- (a) Fixing of a Community guarantee threshold of $\underline{\quad 97,2 \quad}$ - $\underline{\quad 101 \quad}$ million tonnes. The limited guaranteed quantities per producer correspond to the following deliveries

$\underline{\quad 1981 + x\% \quad}$

$\underline{\quad \text{the 1981/83 average} - y\% \quad}$

$\underline{\quad 1983 - z\% \quad}$

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- (b) Charging of a levy equivalent to 75% of the target price on quantities of milk collected in excess of the individual guaranteed quantity; this levy will be applied at farm level, will be administered by the dairies and will be managed by the Member State on the basis of Community criteria. These criteria will provide for a degree of flexibility, particularly to benefit young farmers, farmers with development plans in progress, and those whose farms were hit by outbreaks of communicable diseases during the reference period.

Such flexibility will be achieved within the Member State concerned by means of the quantities released by farmers cutting back their activities or leaving farming.

In the case of direct deliveries of milk and milk products to markets, the Member States will have to ensure administration and collection of the levy.

- (c) During the period of application of the above measures State investment aid leading to an increase in milk production will be suspended.
- (d) Application of a prices policy efficient enough to ensure that the above measures achieve the desired effect.

It is, moreover, understood that the present co-responsibility levy system will continue to be applied in accordance with existing rules.

Because of the special role of the dairy sector in the Irish economy as a whole and the developments of recent years, Ireland will have individual guaranteed quantities corresponding to 1983 deliveries.

With regard to Greece, due weight will be given to the specific problems arising from the difficulty of supplying Greece with fresh milk on account of the distance between Greece and the other Community production centres. ⁽¹⁾

Furthermore, this set of measures should be supplemented by the following provisions:

/- application of a special tax (4% of the target price) on so-called "intensive" holdings,

- suspension, at least for some of the year, of intervention for skimmed-milk powder;

- suspension of butter consumption aids, to take place in two stages. 7

⁽¹⁾ Italy had requested a similar solution in order to take account of its own particular situation regarding its level of self-sufficiency in milk.

4. Cereals

In future the Community should follow a price policy which results in gradual alignment of Community prices on the prices received by farmers in the principal centres of production worldwide, together with a policy which leads to a gradual raising of quality standards with regard both to intervention and export.

At the same time the Community will take steps to guarantee effective stabilization of imports of cereals substitute products such as corn gluten feed and citrus pellets. The European Council accordingly invites the Commission to use all the possibilities afforded by GATT and to submit a brief for negotiations.

5. Products other than milk and cereals

The European Council agrees that guarantee thresholds will have to be applied to the other products subject to market-organization rules where such measures prove necessary. In this context it instructs the Council (Agriculture) to fix guarantee thresholds for beef and veal, durum wheat, certain processed fruits and vegetables and oilseeds. 7

In fixing guarantee thresholds the Council (Agriculture) will take account of the characteristics of each market organization, including external arrangements.

For non-surplus products, production or guarantee limits will not be fixed where the imbalances between production and outlets are the consequence of concessions made as part of external commercial policy. 7

The European Council also instructs the Council (Agriculture) to examine, and to take appropriate decisions concerning the arrangements for the various aids granted for a number of these products, particularly those referred to in the Commission communication of 29 July 1983, bearing in mind, first, the effectiveness (cost/benefit ratio) of these measures and, secondly, the relationships between some of these aids and the methods of external protection specific to each market organization.

6. Tax on oils and fats

└─ The European Council calls upon the Council to adopt a stable, moderate, non-discriminatory, internal tax ⁽¹⁾ on the consumption of all oils and fats other than butter └─ based either on Article 43 of the Treaty or on Article 201.└─

⁽¹⁾ The Commission proposal 7,5 ECU/100 kg.

7. Monetary compensatory amounts (MCAs)

The European Council confirms the need to dismantle MCAs as soon as possible and to that end agrees on the following arrangements:

(a) Future MCAsFirst alternative

In future, in the event of monetary readjustments, MCAs will be calculated on the basis of the strongest currency. As a result, no further positive MCAs will be created.

The negative MCAs created as a result of implementation of these measures will be dismantled on the basis of Commission proposals in the light of developments in the general economic situation.

Second alternative (Commission proposal)

Future MCAs will be abolished in three stages by modifying the green rate.

The stages will be as follows:

- a third when new monetary compensatory amounts are introduced,
- a third at the beginning of the marketing year immediately following the introduction of new monetary compensatory amounts,
- a third at the beginning of the second marketing year following the introduction of monetary compensatory amounts.

(b) Existing MCAs

First alternative

Existing MCAs will be dismantled over the next [2 (*)] [3] [4] marketing years.

In any event a first step, consisting in the dismantling of one third of existing positive MCAs, will be taken at the beginning of the 1984/1985 marketing year.

When the annual price fixing takes place, any ECU increases will be used as a matter of priority for the dismantling of positive MCAs in order to keep to the timetable specified above. Should compliance with the timetable laid down require a reduction in excess of the result thus obtained and lead to a reduction in prices, degressive aid partly financed by the Community will be granted to the producers concerned.

The variable MCAs raise specific points which require more detailed examination.

Second alternative

Maintain the existing arrangement ("gentleman's agreement").

(c) Methods of calculation

[The European Council agrees in principle to the Commission proposals concerning the methods of calculating MCAs and calls upon the Council (Agriculture) to adopt them. It is, however, agreed that the intervention price in the pigmeat sector will not be abolished.]

(*) Commission proposal

8. Procedure for subsequent work

All the legal decisions concerning implementation of the above decisions of principle and guidelines will be adopted at the latest by 31 March 1984.

STRUCTURAL FUNDS

1. The European Council feels that the Structural Funds should become effective instruments in the service of a genuine Community regional development and structural adjustment policy. The purpose of this policy should be:

- to help make up the ground where development is backward;
- to speed up conversion in industrial regions in decline,
- to maintain and develop efficient agricultural structures, especially in the less-favoured regions,
- to combat unemployment, particularly youth unemployment.

In carrying out these tasks, the Funds will contribute to attaining the objectives and priorities defined by the Community, including the promotion of productive investment and the adjustment of European supply to the technological revolution.

To enable the Funds to carry out their tasks, while increasing their effectiveness, a number of measures will be taken.

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- [doubling the amount allotted to them in real terms between now and 1990_] [gradual and substantial_] increase in the amount allotted to them [in real terms_] in the light of available financial resources_];
- in the context of general budgetary discipline the introduction of indicative multiannual financial programming in concertation with the European Parliament in order to ensure predictable and controllable expenditure trends;
- greater concentration of the Funds' financial resources in order to ensure that they have a significant impact on the most acute problems relating to their tasks; in some cases an increase in intervention rates while ensuring effective participation by the Member States;
- improvement and better co-ordination of Fund management by taking account of the comments in the report from the Court of Auditors; this will in particular involve ex ante evaluation, greater ex post control, and the elimination of any duplication;
- increase in the proportion of Fund activities based on programmes which are the subject of consultations between the Commission and Member States; as far as possible combining aid from the various Funds in order to ensure greater coherence in their action;
- appropriate public presentation of the benefits deriving from the Funds.

The European Council recognizes that the "integrated programmes" can amply meet these objectives and principles and may be the most appropriate means of dealing with the specific problems of certain regions with maximum efficiency.

└ With this in mind, the proceedings should continue on the Commission proposals on integrated Mediterranean programmes by embodying them in Community structural policies.┘

└ With this in mind, integrated Mediterranean programmes embodied in Community structural policies and involving an additional financial effort will be decided upon in the near future, and no later than June 1984. These programmes, which have been proposed by the Commission will be of limited duration and designed to cope with the structural problems of the Mediterranean regions of the present Community and the consequences of enlargement in those regions.┘

2. The European Council feels that the above general guidelines should be translated into practical terms for each individual Fund as follows:

- (i) The Social Fund can already be considered to be in line with this general approach following the decisions taken by the Council on 18 October 1983 and via the annual guidelines which the Commission will lay down in close contact with the Member States.
- (ii) In the case of the EAGGF Guidance Section, discussions should continue on the basis of the Commission proposals and in accordance with the general approach set out in paragraph 1 with a view to their completion by 1 April 1984. These discussions will take account, inter alia, of the current reform of certain market organization arrangements.

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(iii) In the case of the ERDF, discussions will continue in accordance with the general guidelines set out in paragraph 1 and on the basis of the Commission proposals with a view to their completion by 1 April 1984. The European Council has decided as of now that the new ERDF Regulation will include:

- the concentration of Fund aid on the regions most in need, in accordance with the general guidelines set out in paragraph 1;
- the introduction of "programme contracts" on an experimental basis;
- the financing of programmes on the Community's initiative alongside projects and programmes where the initiative is taken nationally;
- the establishment in both cases of an intensified dialogue between national authorities and the Commission;

NEW POLICIES

The European Council decided in Stuttgart that the Community should embark on a strategy for recovery.

With a view to the creation of a true Economic Union it intends, through specific commitments, to give back to Community undertakings and citizens the dynamism and security which they had derived from the foundations laid for the Customs Union.

These commitments cover three priority objectives:

- to allow European undertakings better to exploit the potential dimensions of the Community's internal market;
- to make that European industrial area an incentive to co-operation between undertakings;
- to promote an economic and monetary environment favourable to the improvement of undertakings' competitiveness and capable of stimulating structural adjustments and the gradual elimination of development lags.

1. Realizing that standardization is central to the initiatives and decisions to be taken in developing the internal market, the European Council has decided that application of the principles already adopted in this area by the Council should be decided on || by next June in the case of

- new information technologies
- biotechnology
- telecommunications.

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In addition, the European Council asks that

- the Directives currently being examined in the field of technical barriers to trade be adopted by the end of 1983, together with the Regulation concerning defence against illegal commercial practices;
- formalities in intra-Community trade be simplified; in this connection there should be a decision on the single document and the 14th VAT Directive before 30 June 1984.

2. To foster the competitiveness of European industries, the European Council has decided to establish within the Community an environment favourable to co-operation between European undertakings. To that end, it will be necessary by June 1984 to adopt the decisions on

- the European economic interest grouping
- the tax arrangements relating to co-operation.

As regards financing, and as part of efforts to improve the investment climate, there will also have to be a decision before 1 April 1984 on the provisions concerning the financing of innovation in SMUs and it will be necessary to identify ways and means of improving the flow of risk capital to undertakings.

3. The European Council has decided

- to allocate funds to the ESPRIT research programme, as a strategic programme, of 700 MECU for a five-year period;
- to increase significantly the amount of Community resources for the financing of Community R & D activities contained in

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the framework programme for 1984-1987. The amount of this increase will be decided on by 31 March in the light of the decisions to be taken on resources;

- to step up efforts to stimulate the effectiveness of scientific and technical potential in the Community, in particular by encouraging greater mobility among researchers;
- to ask the Council to take firm decisions before the end of the year on the 1984-1987 JRC multiannual programme.

4. In the fields of telecommunications and biotechnology which it believes to be priority areas, the European Council asks that a Community strategy and action programme be adopted during the first half of 1984.

5. The European Council reaffirms the importance of deploying practical efforts to combat threats to the environment.

|| As regards air pollution it recognizes the importance of a Community programme aimed at substantially reducing pollutant emissions from large industrial plants and from motor vehicles.

It asks the Council to be prompt in taking the necessary decisions on the concrete proposals which the Commission has made or has undertaken to make and to report on its progress for the second meeting of the European Council in 1984.

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6. As regards transport, the European Council feels that during the first half of 1984 an action programme will have to be adopted on the harmonization of conditions of competition and on the progressive liberalization of air and road transport.

7. The Community's energy policy must contribute both to the improvement of competitiveness and to the long-term security of supplies. The present balance of the world market is still too much influenced by the low level of world economic activity and may be disturbed at any moment. This is why a policy for energy saving and the development of Community energy resources remains a priority; the European Council asks the Council to take decisions before the end of 1983 on demonstration projects (overall budget in a multiannual context) and a more specific policy on solid fuels (including coking coal).

8. As regards services, a decision will have to be taken before 30 June 1984 on the Directive on insurance other than life assurance. The European Council is determined to relax controls on and obstacles to the free movement of persons, without prejudice to security requirements. The Council must take decisions before 30 June 1984 on freedom of establishment and freedom to provide services for those professions which do not yet enjoy free movement.

9. The European Council notes that certain branches of industry in certain regions of the Community are less well placed than others to take advantage of all the measures and actions envisaged. It instructs the Commission, following a thorough examination of the question, to submit an action programme during the first half of 1984.

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10. The European Council asks the Council and the Commission to prepare during the first half of 1984 a medium-term action programme on the European Social area with the aim of fully involving social forces in the implementation of economic and technological changes.

This programme should in particular:

- place employment at the centre of Community social policy and, in particular, implement a European programme for the social and occupational integration of young people;
- adopt a framework policy for the re-organization of working time;
- improve co-operation and consultation on social protection;
- promote co-operation in respect of demography and the migration of labour;
- reactivate the social dialogue, in particular at European level, between the Council, the Commission and both sides of industry on macro-economic policies, sectoral policies and the consequences of technological progress for employment and social policies.

11. Economic, monetary and financial area

The European Council notes that greater stability and better predictability of the economic framework and buoyant investment constitute the necessary pre-conditions for a vigorous and lasting economic recovery. The Community can and must contribute more to such stabilization by continuously developing its action in the monetary and financial areas.

(a) ECU and European Monetary System

The EMS has become an essential point of reference in the conduct of economic policies at Community level. It constitutes an essential instrument of integration, which, as it develops in the direction of the objectives laid down at its inception and || enlists the participation of all Member States, will permit the necessary progress to be made towards convergence of economic performance, monetary stability and growth.

The European Council has reaffirmed that the ECU is the central element and pillar of the EMS. It is pleased with the spontaneous growth of the private use of the ECU and in this regard has reached the following conclusions:

- it favours the establishment of a multilateral clearing system of interbank operations in ECU;
- || - it would like the ECU to be quoted on each national foreign-exchange market on identical terms and conditions;
- it urges that arrangements should be made to avoid obstacles to the private use of the ECU, and that the development of the latter should proceed in a coherent way within the Community.

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The European Council also instructs the Council (Economic and Financial Questions) and the Commission to reconsider ways of strengthening the European Monetary System and to report to it on their proposals in this respect on the fifth anniversary of the creation of the system.

(b) European financial integration

The European Council has agreed that it is necessary to encourage greater use of existing Community savings to finance investment.

In this regard it noted that the financial fragmentation of the Community was incompatible with this objective.

The European Council therefore feels that long-term capital movements must be liberalized gradually but significantly.

The European Council has asked the Council (Economic and Financial Questions) and the Commission to continue studying the ways and means necessary to establish at Community level a large-scale and efficient risk-capital market.

(c) Stabilization of the international monetary system

The European Council expects that, in conformity with point V of the Williamsburg communiqué, the conditions for improving the international monetary system, and in particular for contributing to the stabilization of exchange markets, will be identified.

In this connection, it is pleased with the decision of the Council (Economic and Financial Questions) to adopt a common position on the priority questions to be examined and, if possible, to formulate common proposals so that Europe can fully play its role in organizing international monetary co-operation in the most efficient way.

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The Presidency considers that, as in the case of agricultural expenditure and expenditure from the Structural Funds, the European Council should indicate the scale of financial support for new policies, which, in the Presidency's view, should be considerably higher than in the past.

ENLARGEMENT

The European Council agrees that the Accession negotiations should be completed by _____ at the latest. This will enable both texts requiring ratification, i.e. the texts on enlargement and on the creation of new own resources, to be submitted to national parliaments simultaneously.

FUTURE FINANCING1. Financial and budgetary discipline

The Presidency considers that major budgetary trends should be the subject of multiannual programming by the Commission and the Council in consultation with the European Parliament.

The Presidency also considers that the Council (Foreign Affairs Ministers and Finance Ministers) should, in the light of the multiannual programming, hold a policy debate each year on the general framework within which the preliminary draft budget should be drawn up.

If the budgetary estimates or expenditure differ considerably from the initial programme the Council would examine the situation and, on a proposal from the Commission, make the necessary amendments to Community policies to correct this trend in time.

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As regards agricultural expenditure, the Presidency considers that the financial guidelines proposed by the Commission (10355/83) should be adopted.

The United Kingdom delegation has submitted an alternative proposal for budgetary discipline in the agricultural sphere (8903/83).

The Special Council has recently received two new documents on budgetary discipline in general but has not yet discussed the substance of them. These documents are a Commission proposal and a French proposal, distributed at the meeting on 29 November 1983.

2. Correction of budgetary imbalances

- (a) The European Council considers it important, in accordance with the Stuttgart mandate, to adopt measures which, taken as a whole, will provide a lasting solution to the repeated difficulties in connection with the financial consequences of the budget and its financing.

(b) Pending the impact on those imbalances of a rebalancing of the Community's policies and actions, the European Council believes that the solution to the problem lies in an adjustment mechanism which will make an appropriate correction and provide a degree of security in the future against any distortion in the budgetary situation of any particular Member State.

(c) The Presidency considers that its proposal constitutes a possible basis for compromise; its proposal is based on the following elements:

(i) Calculation of compensation as the difference between the actual flow of expenditure into a Member State and the expenditure it would enjoy if it were guaranteed a certain percentage of the Community average (calculated in relation to GDP). The percentage is calculated as a linear function of relative prosperity (GDP/per capita).

(ii) Compensation is deducted from the normal VAT share of the Member State concerned for the budgetary year following that for which the correction is made.

(iii) The resulting burden for the other Member States is shared according to the normal VAT scale according to a scale to be decided .

(iv) The above provisions are an integral part of the new decision on own resources.

(d) The following proposals were put to the Special Council and were discussed in depth:

- the Commission proposal ("modulated VAT" 6863/83) combined with its proposal of 7.11.1983 ("additional compensation" 10411/83)
- the United Kingdom proposal ("safety net" 8748/83)
- the German proposal ("two models" 10281/1/83).

The Danish delegation also made a proposal (8776/83), the French delegation proposing amendments; most of the points concerned are incorporated in the Presidency proposal, which the Danish delegation endorsed.

3. Own resources

- (a) The Presidency considers that the European Council must agree that the maximum VAT rate be fixed at 1,8%, that this maximum rate apply for every Member State and that it enter into force on 1 January 1986.
- (b) The Commission proposal (6863/83) was also submitted to the European Council.