

THE EUROPEAN COUNCIL

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Documents in the dossier include:

Conclusions

Session of the European Council

Fontainebleau European Council

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"A New Start" for the European Community

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Session of the European Council

Fontainebleau, 25 and 26 June 1984

Conclusions

The European Council, meeting at Fontainebleau on 25 and 26 June 1984, adopted the decisions on the questions left in abeyance at its meeting in Brussels on 19 and 20 March 1984.

The European Council also confirmed the points of agreement which it has reached in Brussels. It took note of the progress made in regard to new policies and discussed environment and health issues. It adopted new guidelines for the reactivation of European cooperation.

Budgetary imbalances

1. Expenditure policy is ultimately the essential means of resolving the question of budgetary imbalances.

However, it has been decided that any Member State sustaining a budgetary burden which is excessive in relation to its relative prosperity may benefit from a correction at the appropriate time.

The basis for the correction is the gap between the share of VAT payments and the share of expenditure allocated in accordance with the present criteria.

2. As far as the United Kingdom is concerned, the following arrangement is adopted:
 - ◊ for 1984, a lump sum of 1 000 million ECU is fixed;
 - ◊ from 1985 the gap (base of the correction) as defined in paragraph 1 is, for the period referred to in paragraph 4, corrected annually at 66%.
3. The corrections foreseen in paragraph 2 will be deducted from the United Kingdom's normal VAT share in the budget year following the one in respect of which the correction is granted. The resulting cost for the other Member States will be shared among them according to their normal VAT share, adjusted to

allow the Federal Republic of Germany's share to move to two-thirds of its VAT share.

4. The correction formula foreseen in paragraph 2 (second indent) will be a part of the decision to increase the VAT ceiling to 1,4%, their durations being linked.

One year before the new ceiling is reached, the Commission will present to the Council a report setting out the state of play on:

- the result of the budgetary discipline;
- the Community's financial needs;
- the breakdown of the budgetary costs among Member States, having regard to their relative prosperity, and the consequences to be drawn from this for the application of the budgetary corrections.

The Council will re-examine the question as a whole and will take the appropriate decisions *ex novo*.

Own resources and enlargement

The maximum rate of mobilization of VAT will be 1,4% on 1 January 1986; this maximum rate applies to every Member State and will enter into force as soon as the ratification procedures are completed, and by 1 January 1986 at the latest.

The maximum rate may be increased to 1,6% on 1 January 1988 by unanimous decision of the Council and after agreement has been given in accordance with national procedures.

The European Council confirms that the negotiations for the accession of Spain and Portugal should be completed by 30 September 1984 at the latest. Between now and then the Community will have to make every effort to create the right conditions for the success of this enlargement, both in the negotiations with Spain on fisheries to ensure the conservation of fish stocks and also by reforming the common organization of the wine market to ensure that the quantities of wine produced in the Community are controlled, and by means of a fair balance between agricultural and industrial agreements.

Financing of the 1984 budget

The European Council agreed that, pending national parliaments' ratification of the increase in own resources, steps will be taken at the next (Budget) Council meeting to cover the needs of the 1984 budget to ensure that the Community operates normally.

Dismantling of positive monetary compensatory amounts in the Federal Republic of Germany

The European Council asks the Commission to propose, and the Council to decide on, measures which will enable VAT relief for German agriculture under the German national budget to be increased from 3% to 5% with effect from 1 July 1984 until 31 December 1988 in compensation for dismantling the monetary compensatory amounts; the compensation shall not exceed the amounts dismantled.

Social policy

The European Council asks the Commission to carry out the work programme set out in the Community's medium-term social action plan and to forge ahead with the work stemming from the Council's conclusions on technological change and social adjustment and with that on production organization.

A people's Europe

The European Council considers it essential that the Community should respond to the expectations of the people of Europe by adopting measures to strengthen and promote its identity and its image both for its citizens and for the rest of the world.

An ad hoc committee will be set up to prepare and coordinate this action. It will be composed of representatives of the Heads of State or Government of the Member States.

The European Council approves the agreement reached on the principle of creating a European passport and asks the Council to take the necessary decisions to ensure that this passport is actually available to Member States' nationals by 1 January 1985 at the latest.

It asks the Council and the Member States to put in hand without delay a study of the measures which could be taken to bring about in the near future, and in any case before the middle of 1985:

- a single document for the movement of goods;
- the abolition of all police and customs formalities for people crossing intra-Community frontiers;
- a general system for ensuring the equivalence of university diplomas, in order to bring about the effective freedom of establishment within the Community.

The Committee will examine inter alia the following suggestions:

- symbols of the Community's existence, such as a flag and an anthem;

- formation of European sports teams;
- streamlining procedures at frontier posts;
- minting of a European coinage, namely the ECU.

It would also like Member States to take steps to encourage young people to participate in projects organized by the Community beyond its frontiers, and in particular to support the creation of national committees of European volunteers for development, bringing together young Europeans who wish to work on development projects in the Third World.

The ad hoc committee will also examine the following suggestions:

- measures to combat drug abuse;
- the twinning of children's classes.

The Commission will contribute to the proceedings of the Committee within the limits of its powers.

Ad hoc Committee on Institutional Affairs

The European Council decided to set up an ad hoc committee consisting of personal representatives of the Heads of State or Government, on the lines of the 'Spaak Committee'.

The Committee's function will be to make suggestions for the improvement of the operation of European cooperation in both the Community field and that of political, or any other, cooperation.

The President of the European Council will take the necessary steps to implement that decision.

1. Fontainebleau European Council

Settlement of Community budget dispute

1.1.1. The 10 Heads of State or Government meeting at Fontainebleau on 25 and 26 June reached unanimous agreement on the amount of compensation to be granted to the United Kingdom to reduce its contribution to the Community budget. This decision unblocked the agreements on two other aspects of future financing—creation of new own resources by raising the VAT ceiling to 1.4% and budgetary and financial discipline—which had been reached at the March European Council but had been put on ice.¹

The Brussels European Council in March had reached the following agreement on budgetary and financial discipline:

Budgetary and financial discipline

1.1.2. 'The European Council considers it essential that the rigorous rules which at present govern budgetary policy in each Member State also apply to the budget of the Communities.

The level of Community expenditure will be fixed as a function of available revenue.

Budgetary discipline, which calls for a combined effort by all the institutions in the framework of their respective powers, will apply to all budget expenditure.

• The European Council invites the Council of Ministers for its part:

(i) to fix at the beginning of the budget procedure a reference framework, i.e. the maximum level of expenditure which it considers it must adopt to finance Community policies during the following financial year;

(ii) so to proceed that the net expenditure relating to agricultural markets calculated on a three-yearly basis will increase less than the rate of growth of the own resources base. This development will be assessed on comparable bases from one year to the next. Account will be taken of exceptional circumstances, in particular in connection with enlargement. The provisions laid down in the Commission document on financial guidelines concerning the common agricultural policy will be implemented;

(iii) to undertake to comply with the maximum rate throughout the budget procedure as defined

in Article 203 of the Treaty of Rome. At the first reading the Council will keep the increase in non-compulsory expenditure to a level no higher than half the maximum rate. At the second reading the Council will adopt a position such that the maximum rate is not exceeded.

• The European Council invites the Council of Ministers to adopt by June 1984 the measures necessary to guarantee the effective application of the principles referred to above.²

As requested by the Brussels European Council, the Ministers for Economic and Financial Affairs have been instructed to adopt the procedure for implementing the principles of budgetary and financial discipline but have not yet completed their work.

1.1.3. The agreement provides a few years' respite from the budget dispute which has been gradually paralysing the Community since 1979. It also gives the Community the resources it needs to operate normally from 1986 and stage a revival, even if the own resources decision does not go as far as the Commission would like. The European Council agreed that the next Council meeting on the budget would adopt measures to cover 1984 budget requirements to ensure normal operation of the Community pending ratification by the national parliaments of the increase in own resources.²

The basis of agreement is as follows: in 1984 the United Kingdom will receive a lump-sum compensation of 1000 million ECU; in subsequent years it will receive two thirds (66%) of the difference between what it pays in VAT and what it receives from the Community budget. Germany will have to shoulder only part of its share of the compensation (based on two thirds of its normal share). As agreed at the Brussels European Council, calculation of the difference or 'gap' has been based only on the United Kingdom's VAT payments and not on customs duties and agricultural levies.¹ As the Commission wished, the end result

¹ Bull. EC 3-1984, point 1.1.1.

² Bull. EC 4-1984, points 1.1.2 and 1.1.3.

is a simplified mechanism with the same life span as the new own resources.

The 750 million ECU net granted to the United Kingdom by the Stuttgart European Council in compensation for 1983,¹ and the corresponding measure for Germany, which were entered in the 1984 budget but put in reserve pending solution of the Community's financial problems, has been released in the form of special measures in the social, transport and energy sectors. On 26 June the Council adopted the Regulations to this effect.²

As well as settling the Community budget dispute, the European Council reached agreement on the additional aid to German agriculture requested by the German Government to offset the reduction in agricultural incomes following the dismantling of the MCAs (5% instead of the 3% decided by the Council meeting on agriculture in March,³ for the period from 1 July 1984 to 31 December 1988). The Commission and the Council have been asked to take the necessary action.

1.1.4. As regards enlargement, the European Council confirmed that its objective was to end negotiations as quickly as possible and issued a number of guidelines concerning fisheries, the wine market and the need for a balance between agreements on agriculture and industry.

1.1.5. The budget agreement also unblocks the other agreements reached last March⁴ pending an overall compromise; these agreements concern new policies and the structural Funds.

New policies

1.1.6. 'With a view to the creation of a genuine economic union, the Council intends, through specific commitments, both externally and internally, to give the European economy an impetus comparable to that which it gained from the founding of the customs union in the early 1960s.

The following priority objectives will be pursued:

(i) convergence of economic policies and Community action, capable of promoting productive

investment and thereby a vigorous and lasting economic recovery;

(ii) development, in close consultation with the Community industries and bodies concerned, of Europe's scientific and technological potential;

(iii) strengthening of the internal market so that European undertakings derive more benefit from the Community dimension;

(iv) protection and promotion of employment, which is a crucial factor in Community social policy, especially as regards young people.

The European Council invites the Council of Ministers actively to pursue the examination of the Commission proposals which already meet these objectives and invites the Commission to report to it in time for its meeting in June on the progress made on relaunching Europe,⁵ laying particular emphasis on the following sectors:

- The European Council stresses the importance of the agreement reached on the launching of the Esprit programme, which is an exemplary cooperation project between undertakings.

It expects the Council of Ministers to specify without delay the other areas in which Community initiatives are called for.

A framework programme will be adopted before the end of the first half of 1984 in the areas of telecommunications and biotechnology. Scientific and technical cooperation and exchanges will be intensified in the Community, in particular by the encouragement given to mobility among researchers.

It agrees on the need to increase the proportion of Community resources devoted to financing priority Community research and development activities.⁶

- The European Council is satisfied with the agreement reached on reducing technical barriers to trade and combating illegal commercial practices by the Community's partners, and considers that new measures need to be adopted rapidly to:

(i) bring about a decisive simplification of formalities in trade within the Community and modernize the customs system;

¹ Bull. EC 6-1983, point 1.5.9.

² Point 2.3.4.

³ Bull. EC 3-1984, point 2.1.117.

⁴ Bull. EC 3-1984, point 1.1.1.

⁵ The Commission transmitted a communication on the strengthening of the European internal market to the European Council in June.

⁶ The Commission transmitted a communication on research priorities to the Council on 29 May. Bull. EC 5-1984, point 2.1.187.

(ii) harmonize European standards¹ and products, and open up public contracts in the Member States to European undertakings;

(iii) harmonize conditions of competition and progressively liberalize trade in services, notably in the transport and insurance sectors, within specific time limits to be set by the Council before the end of the year;

(iv) implement a common transport policy and a transport infrastructure programme of Community interest;

(v) develop a suitable climate for cooperation between European undertakings by establishing a favourable legal and tax framework;

(vi) make full use of existing financial instruments to aid Community policies, including encouragement of productive investment.

• The European Council reaffirms that the ECU is the central element and pillar of the EMS. It is pleased with the spontaneous growth in the private use of the ECU and notes that the Council of Ministers is continuing its discussions with a view to developing the EMS by making specific adjustments.

Steps will be taken to encourage greater use of savings available within the Community for financing investment. The Council therefore considers that significant progress will be made in order to improve financial integration within the Community.

• The European Council asks that, before its next meeting in June 1984, the arrangements necessary for the organization of the European social area be prepared, with the aim of fully associating social forces with the economic and technological changes which are decisive for recovery prospects within the Community.²

It also requests the Ministers for Education and the Commission to consider ways and means of promoting language teaching in each Member State.³

Structural Funds⁴

1.1.7. 'The European Council considers that the structural Funds should become effective Community policy instruments aimed at reducing regional development lags and converting regions in industrial decline; promoting dynamic and competitive agriculture by maintaining and developing effective agricultural structures, in particular in the less-favoured regions; combating unemployment, in particular youth unemployment.

To that end:

(i) Management of the Funds will be improved having regard to the observations of the Court of Auditors and to the Commission report, in particular by a suitable evaluation of the aid they provide, by concentrating the Funds' activities and the elimination of any duplication, through improved cooperation between the Commission and the Member States.

(ii) An attempt will be made to coordinate the activities of the various Funds, for example in the form of integrated programmes.

With this in mind, integrated Mediterranean programmes will be launched in favour of the southern regions of the present Community so as to be operational in 1985. Designed to be of limited duration, such programmes will have as their aim improvement of the economic structures of those regions to enable them to adjust under the best conditions possible to the new situation created by enlargement. They will also cover problems raised in the Greek memorandum.

• The financial resources allocated to aid from the Funds, having regard to the IMPs, will be significantly increased in real terms within the limits of financing possibilities.

The current discussions initiated on the basis of the Commission's proposals, relating to the revision of the ERDF and the EAGGF Guidance Section, must be concluded before the next meeting of the European Council.⁵

1.1.8. The European Council also decided to set up an *ad hoc* committee of personal

¹ An agreement was reached in July on the new guidelines on product standardization to be followed in the Community. The details will appear in Bulletin 7/8-1984.

² The mandate given by the Brussels European Council has been replaced by the new mandate given at Fontainebleau (point 1.1.9, section 5).

³ Conclusions on foreign language teaching were adopted at the meeting of the Council and Ministers for Education on 7 June (point 2.1.53).

⁴ A Council meeting of Foreign Ministers took note of the Greek delegation's statement on the structural Funds which called for the following addition to the conclusions of the Presidency at the Brussels European Council: the finance to be provided for the integrated Mediterranean programmes is complementary.

⁵ The Regulation reforming the European Regional Development Fund has been adopted (points 1.3.1 *et seq.*); however, work is still in progress on the EAGGF.

representatives of the Heads of State or Government (along the lines of the Spaak Committee) to suggest ways of improving European cooperation on both Community and political cooperation issues.

Another committee consisting of leading figures appointed by the Heads of State or Government, acting with complete independence, but in collaboration with the Commission, will be asked to submit a series of proposals by the end of June 1985 to set up and promote a 'people's Europe'. Its mandate will include examining plans for a European coin (the ECU), and a European flag and a European anthem. The European Council asked the Council of Ministers to ensure that the European passport is available in the Member States by 1 January 1985 at the latest.¹

Conclusions of the Presidency

1.1.9. The European Council, meeting at Fontainebleau on 25 and 26 June 1984, adopted the decisions on the questions left in abeyance at its meeting in Brussels on 19 and 20 March 1984.

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¹ For a note on the European passport, see point 3.5.1.

fair balance between agricultural and industrial agreements.

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7. *Ad hoc* Committee on Institutional Affairs

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The President of the European Council will take the necessary steps to implement that decision.

Statements and comments

1.1.10. 'There is not a single dispute left to settle', Mr François Mitterrand, President of the European Council, told the press at the end of the meeting. With the problem of the British contribution resolved, he added, the Community could at long last stage a strong revival. Indeed, in the attempt to settle the 'British problem', other problems had been solved on the way: the 'German problem' had been resolved; a solution had been found for the deficit in the 1984 Community budget; attention had been turned to new policies; and, most significantly, work had resumed on a European Union based on the Treaty of Rome, opening up new horizons.

Turning to the 'British problem', Mr Mitterrand made it clear that the correction mechanism was 'strictly linked' to the duration of the 1.4% VAT rate. 'Time will tell how long that will last', he said, 'up to 1987 or perhaps 1988'. If own resources were exhausted by then, the agreement could be reworked on a new basis.

As regards 'a people's Europe', he made special mention of the *ad hoc* committee set up, free of the traditional constraints, to work in close collaboration with the Commission on revitalizing the structures derived from the Treaty of Rome. This committee would report on a number of issues of direct concern to the people of Europe. Speaking of the European passport, Mr Mitterrand showed the model already produced by France, which would be issued at Community level from 1985.

At the brief press conference at the end of the European Council Mrs Margaret Thatcher, the British Prime Minister, concentrated on the solution to the 'British problem', which she saw as good for Britain and good for the Community. Mrs Thatcher considered it vitally important that the wearisome and debilitating negotiations were over and praised President Mitterrand's extraordinary efforts in seeking a solution and the marvellous cooperation of Chancellor Kohl. The fact that the settle-

ment of the 'British problem' was linked with own resources, which could not be changed without unanimous agreement, guaranteed that the system would last.

For Chancellor Helmut Kohl too, the outcome was very satisfactory. The green light had finally been given to the Stuttgart package, and the difficult problem of Britain's contribution had been settled. It was a good 'Community' agreement, in the interests of all concerned. Mr Kohl was also pleased to have won his fight for VAT relief for German farmers and to have had the opportunity to plan with his colleagues a series of measures to achieve a people's Europe.

The Italian Prime Minister, Mr Bettino Craxi, considered that the Ten had managed to rid themselves of a thorn in the flesh and get a lot of things moving. The Belgian Prime Minister, Mr Wilfried Martens, stated that, with the settlement of the 'British problem', the main obstacle to European revival had been removed.

The Danish Prime Minister, Mr Schlüter, called this European Council 'a historic moment for the common market'; the Greek Prime Minister, Mr Papandreou, described it as 'something of a success after a long series of flops'. The Irish Prime Minister, Mr FitzGerald, described it as 'a big success for the French Presidency', and the Dutch Prime Minister, Mr Lubbers, found the overall outcome highly satisfactory. Finally, the Luxembourg Prime Minister, Mr Werner, stated that he was leaving happy in the knowledge that the Community is once again on the right track.

Mr Ernest Glinne, Chairman of the Socialist Group in the European Parliament, congratulated the French Presidency on the political success which was the final outcome of the Fontainebleau European Council. Mr Leo Tindemans, Chairman of the EPP Group, considered that this European Council had amounted to 'a peace conference, a lifebuoy to a Community which was in danger of drowning'.

Commenting on the outcome of the European Council, Commission President

Gaston Thorn stressed that everything was possible, but nothing guaranteed. He welcomed the fact that the European Council had been able to agree on 'a simple formula' for correcting budgetary imbalances. This formula, which had been recommended by the Commission, would be incorporated in the new own resources instrument. However, he did not conceal his disappointment that the Community had not been given the financial means to guarantee uninterrupted development. He repeated his desire, shared

by the Commission, for sufficient new resources to avoid the recurrence in 1986 of the exhausting 12-month operation from Stuttgart through to Athens and Brussels. He also regretted that he had been unable to obtain the change he wanted on budgetary discipline to take account of the European Parliament's powers.¹

¹ Bull. EC 3-1984, point 1.1.3.

