

THE EUROPEAN COUNCIL

**LONDON
5-6 DECEMBER 1986**

Documents in the dossier include:

London European Council

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E.C. Summit Leaders Discuss Terrorism, Internal Market, Economy
European Community News No. 37/1986
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1. London European Council

1.1.1. The European Council opened in the late afternoon of Friday 5 December at the Queen Elizabeth II Conference Centre in London with Mrs Margaret Thatcher, the UK Prime Minister, in the chair. It was attended by all the Heads of State or Government, the Foreign Ministers of the 12 Member States, Mr Delors, President of the Commission, and Mr Natali, Vice-President of the Commission. It closed a little before 3 p.m. on Saturday 6 December.

The Commission produced four memoranda for the Heads of State or Government on short-term economic prospects in Europe and the world at large, Community measures on behalf of small business and the labour market, the achievement of an area without frontiers (the Commission gave a report on progress geared to the 1992 deadline) and the Europe against cancer programme (proposals were promised for the end of the year) (→ point 1.4.1 *et seq.*).

Unfortunately, the European Council failed to touch on the '*grand rendez-vous*', to use the phrase coined by Mr Delors—the debate on the closely interrelated problems of vital importance of the Community's future: reform of the common agricultural policy, economic and social cohesion, and the financing of the Community, all prerequisites for achievement of the objectives of the Single European Act. Mr Delors briefed the Heads of State or Government on the gravity of the situation and on the discussions set in hand by the Commission; he was asked by the European Council to tour the Community capitals to report further on the problems involved.

However, the European Council provided 'impetus' to help settle some outstanding questions, including agriculture (→ points 1.2.1 and 1.2.2), the financing of the framework programme for research and technological development and the financing of the Erasmus programme.

It also took note of a number of priorities of key importance to the development of the Community and implementation of the Single Act. The first is economic and social

cohesion, which occupies a leading place in the conclusions of the Presidency. The second is cooperative growth strategy: under the heading 'The challenge' the European Council reaffirmed the commitment made at The Hague to such a strategy. The third is the dialogue between the two sides of industry: in the section entitled 'An action programme for employment growth' the European Council 'welcomed the progress made in discussions at European level between the social partners and invited the Commission to continue its efforts to encourage this cooperation'.

Conclusions of the Presidency

Progress

1.1.2. The European Council noted that in the five years since their last meeting in London the Community has settled a number of difficult and divisive issues and has a record of solid achievements, notably:

- (i) the convergence of economic and technological policies,
- (ii) the accession of two Member States,
- (iii) the adoption of a common fisheries policy,
- (iv) the agreement on the Single European Act.

Single European Act

1.1.3. The Heads of State or Government noted that those Member States which have not already done so aim to ratify the Single European Act in time for it to enter into force on 1 January 1987.

Social and economic cohesion

1.1.4. The European Council recalled the Single European Act's provisions concerning social and economic cohesion and the Hague conclusions on the same subject.

In this context, the Council takes note of the Commission's intention to present proposals, after Mr Delors has visited Heads of States or Government, in accordance with the Hague commitment, in order to develop structural policies and to proceed with the reform of the Funds, as provided in the Single European Act.

The European Council urges the Council of Ministers to adopt the measures necessary to attain the aforementioned objective.

The European Council also notes the importance of cohesion in the implementation of the internal market and other Community policies.

The challenge: business and jobs

1.1.5. Economic and social progress and the constant improvement of the living and working conditions of the people of Europe are central goals of the Community. The Community must be a major force for growth in the 1980s and 1990s as it was in the 1960s.

The growth of business and enterprises and all productive activities is essential to tackle the scourge of unemployment, particularly long-term and youth unemployment.

To create the conditions for this, the Community must work to break down the remaining barriers to trade between Member States, reduce red tape and open up opportunities so that European enterprise can flourish in all Member States.

The European Council stressed the importance of the growing convergence of economic policy in all the Member States over the last four years. This has led to reduced inflation, now estimated by the Commission to be likely to fall to 3% in 1987, the lowest Community average for 20 years. Reduction in unemployment and convergence in living standards were less satisfactory.

Reduction in interest rates is desirable.

The European Council reaffirmed its commitment at The Hague to the cooperative growth strategy. It welcomed the priority being given to work aimed at helping to create the conditions for establishing non-inflationary growth and a substantial growth in employment, including measures:

- (i) to promote long-term prosperity and job creation through the completion of the internal market;
- (ii) to achieve sustained employment growth;
- (iii) to lighten regulations hampering business;
- (iv) to help small and medium-sized enterprises make a dynamic contributions to the creation of prosperity and jobs; and
- (v) to encourage productive investment.

The European Council invites the Economic and Finance Council to resume its consideration of the EMS in order to strengthen the convergence of economic policies and monetary stability in Europe.

The Council invited the President of the Commission to report quarterly to the Economic and Finance Council on progress being made in the cooperative growth strategy.

The European Council agreed that strengthening the open world trading system on the basis of a fair balance of rights and obligations is crucial to this strategy and to the future prosperity of both industrialized and developing countries. The Community played a leading role in the successful launch of the new round of multilateral trade negotiations. The success of those negotiations will increase opportunities for the Community export trade and will make an important contribution to growth and employment, not least in the key new service industries.

The Council called on Japan to take urgent and effective steps to ensure that imported goods are able to compete freely in the Japanese market and, in specific market sectors, to reduce the massive and still growing trade imbalance with the Community. It considered that the ending of discrimination of the type applied to imported alcoholic drinks would be a test case of Japan's willingness to open its markets to foreign competition. It invited the Council to conduct a thorough review of other actions to achieve a more balanced trading relationship and called on the Commission to identify other sectors in which action should be pursued to remove barriers to trading in the Japanese market.

The single large market

1.1.6. The European Council welcomed the steady acceleration of progress on the internal market over the last year, and looked forward to still faster progress when the Single European Act enters into force.

The Heads of State or Government noted the substantial results recently reached by the Internal Market Council which completed work on nine out of a package of thirteen measures proposed by the Presidency. They underlined the importance which they attached to completing the package by the end of the year. They asked the Member States concerned to lift their outstanding reserves on two items. On the two remaining items concerning public purchasing and standardization in the fields of information technology and telecommunications they agreed to instruct their Permanent Representatives to reach agreement before the end of the year. They considered that the completion of the package would be a clear signal to business of the Community's determination to complete the internal market by the end of 1992.

They called on the Agriculture Council to reach decisions on food law measures and veterinary and plant health measures currently before it.

They called for substantial further progress in the Transport Council towards:

- (i) a Community policy for civil aviation encouraging greater competition between airlines and improved services to their customers;
- (ii) measures to establish a common shipping policy for the Community, including the freedom to provide shipping services.

Heads of State or Government welcomed the further liberalization of capital transactions decided in November. They called for decisions next year:

- (i) to achieve the next phase of freer movement of capital throughout the Community;
- (ii) to make progress in opening up the market in financial services, including insurance, in the light of the judgments just given by the European Court of Justice;
- (iii) on mutual recognition of testing and certification;
- (iv) on the full arrangements for a single market in road haulage by 1992;
- (v) on the continued opening-up of public purchasing;
- (vi) on more internal market measures in the Agriculture Council; and
- (vii) on faster progress with the creation of a Citizens' Europe, including the freer movement of people and the mutual recognition of professional qualifications.

They noted that fiscal issues would be taken up again by the Council of Economic and Finance Ministers early in 1987 with a view to further progress.

Research and technology

1.1.7. The European Council urged Research Ministers, at their next meeting on 9 December, to reach agreement on the framework programme for Community action in research and technological development, an important step towards enabling the Community to reinforce the internal market and compete in the worldwide market for high-technology products.

They asked the Commission and the Council to make a special effort to secure agreement on standards and the commitment of operators necessary to enable Europe to compete in the development and marketing of digital cellular radio in the 1990s.

Encouraging enterprise

1.1.8. The Council welcomed the conclusions of the 20 October Industry Council on reducing regu-

lations on business and the steps taken by the Commission to assess the impact of all new proposals on business costs and jobs and similarly to review existing legislation.

The Council welcomed the setting up of the Commission task force on small and medium-sized enterprises to coordinate action to improve the environment for business.

The European Council also endorsed the principles of the Commission's proposals on help for small businesses, and in particular steps to:

- (i) improve the administrative environment and reduce the fiscal burdens for small firms;
- (ii) ensure that existing schemes operate effectively for small firms;
- (iii) help the setting up of new small firms;
- (iv) improve the access of small firms to new technology;
- (v) enable Member States to learn from each other's experience.

Heads of State or Government noted the agreement that has been reached to provide Community loans worth 1 500 million which will be available to small and medium-sized enterprises and will help them invest in new technology.

An action programme for employment growth

The European Council, noting the proposals made by the Commission and Member States in this area, emphasized the importance of Community action on jobs designed to:

- (i) encourage better training for both young people and adults;
- (ii) help the long-term unemployed back into jobs;
- (iii) promote the creation of self employment and of small and medium-sized firms;
- (iv) improve the workings of the labour market, including ways of increasing part-time and other flexible working patterns, providing better access to training for disadvantaged groups, and encouraging employment for such groups in inner city areas.

They called on the Social Affairs Council meeting next week to adopt an action programme for employment growth based on these priorities.

The European Council undertook to review progress at its next meeting.

The European Council welcomed the progress made in discussions at European level between the

social partners and invited the Commission to continue its efforts to encourage this cooperation.

Environment

1.1.9. The European Council noted that good progress had been made in protecting the environment through action within the Community and called for further progress. It emphasized that greater attention needed to be given to the effects on the Community of cross-border problems originating outside the Community's frontiers. It stressed the need to reach cross-border solutions both inside and outside the Community.

Travellers' allowances

1.1.10. The European Council noted the importance attached by several Member States to travellers' allowances. It called upon the December Council of Economic and Finance Ministers and the Commission to find solutions to these problems, taking into account the concerns of Member States as raised in this Council.

Erasmus

1.1.11. The European Council called for further consideration of the Erasmus student mobility programme with a view to reaching a decision at an early Council.

Community prospects for 1987

1.1.12. The President of the Commission briefed Heads of State or Government on the discussions set in hand by the Commission under the guidelines given by the European Council in Fontainebleau and by the Single European Act. He covered the financing of the Community, the CAP and the achievement of cohesion.

It was agreed that Mr Delors would visit Heads of State and Government to report on the Commission's work. In the mean time, work must continue and decisions be taken in the Council.

Safeguarding the open society

1.1.13. The European Council had a detailed discussion of how further to intensify their cooperation to combat terrorism, illegal immigration and drug trafficking. They agreed that concerted policies to deal with these problems were essential to the goal of achieving free movement within the Community as set out in the Single European Act.

Terrorism

1.1.14. They agreed that the following principles must govern their common fight against terrorism and those who sponsor terrorist acts:

- (i) no concessions under duress to terrorists or their sponsors;
- (ii) solidarity between the Member States in their efforts to prevent terrorist crimes and to bring the guilty to justice;
- (iii) concerted action in response to terrorist attacks on the territory of a Member State and to evidence of external involvement in such attacks.

The Heads of State or Government confirmed the decisions taken by the Twelve in response to evidence of State-sponsored terrorism. The Heads of State or Government welcomed the intention of the Governments of France, Greece and Ireland to ratify the European Convention on the Suppression of Terrorism.

Cooperation between security authorities

1.1.15. Heads of State or Government agreed that they must pool their resources to maximize their ability to prevent terrorist acts and to bring those responsible to justice. They agreed also to intensify their cooperation with like-minded countries, including members of the Council of Europe.

Asylum seekers

1.1.16. The Heads of State or Government underlined their continued willingness to give asylum according to their national legislation and treaty commitments. They agreed that asylum should not be granted for economic and financial reasons and that steps must be taken to counter abuse. They invited the relevant Ministers to concert action with a view to ensuring that the right of asylum is not abused.

Action by the relevant Ministers

1.1.17. The European Council asked Interior Ministers to concert:

- (i) arrangements for extradition; they welcomed the changes being made by the United Kingdom to its extradition laws which will enable it to adhere to the European Convention on extradition;
- (ii) measures to deal with the theft and forgery of passports;

(iii) consideration of the role of coordination and possible harmonization of visa regimes in tightening controls at the Community's external frontiers;

(iv) intensified cooperation on measures to prevent illegal immigration.

At the same time, the Community and the Member States will be examining what further action they can take to simplify frontier procedures within the Community, for the benefit of all their citizens.

In order to strengthen their defences against terrorism while making travel easier for the Community's citizens, they endorsed the action of relevant Ministers in setting in hand a study of how to strengthen controls at the Community's external frontiers. Heads of State or Government agreed to examine the progress made at their next meeting, determined that their solidarity in the face of the terrorist threat to the safety of their citizens should be put into practice at every level of cooperation.

Drugs

1.1.18. Heads of State or Government decided that the Community and the Member States must continue to contribute to the fight against drug abuse. They endorsed the seven-point action programme of work agreed by Interior Ministers and noted that agreement had been reached for the Community to participate as an observer in the 1987 UN Conference on Drugs.

They agreed on the need to work in close cooperation with the Council of Europe's Pomicidou Group to:

- (i) cooperate to thwart and to prosecute those who criminally traffic in illegal drugs;
- (ii) coordinate legal action and, in particular, ensure that the assets of someone convicted of illicit trafficking in one Community country will be liable to confiscation throughout the Community;
- (iii) exchange drugs liaison officers between Community countries and continue posting such officers to other countries;
- (iv) intensify cooperation between police and customs authorities;
- (v) seek recommendations from Community ambassadors in drug-producing countries on further ways in which the Community can help;
- (vi) concern their contributions to the 1987 UN Conference;
- (vii) work closely with other friendly countries;
- (viii) draw on each other's expertise in the treatment and rehabilitation of drug addicts and work together to educate teachers, parents and children about the dangers of drug abuse.

Each Member State has its own problems and ways of dealing with them but there are lessons which will apply to all. The European Council called for a report to be made to the next European Council with recommendations for action by the Community and its Member States with particular reference to:

- (i) a list of products prohibited throughout the Community;
- (ii) harmonized criminal legislation on drug offences.

Public health

1.1.19 The European Council recalled that at their meeting in The Hague they had requested the Council of Ministers to reach agreement on an action programme against cancer, and agreed that 1989 should be designated European Cancer Information Year. The aim will be to develop a sustained and concerted information campaign in all the Member States on the prevention, early warning and treatment of cancer. They noted with appreciation the work of the Committee of Cancer Specialists which will shortly be reporting and undertook to follow up this report as soon as it becomes available.

The European Council expressed its concern about the rising incidence of AIDS. They noted the link that existed with the drug problem. They stressed the importance of coordinating national campaigns to improve public awareness and information about the disease and prevent its spread.

The European Council expressed its support for the work of the World Health Organization. They asked the Council of Ministers and the Commission to ensure through the appropriate machinery the effective Community-wide exchange of information about the spread of the disease, prevention and treatment and to consider what further cooperative measures should be taken by all the Member States. They agreed to consider also the scope for further cooperation in research. This matter should then be considered by Health Ministers.

Statement on Afghanistan

1.1.20. As the seventh year of Soviet occupation comes to a close, the European Council again draws attention to the very serious situation facing the people of Afghanistan and neighbouring countries.

Over 110 000 Soviet troops remain in Afghanistan to prosecute a bitter and repressive war. Their presence violates international peace and security

and endangers the stability of the region. Five million Afghans have been forced to flee the country. The Afghan people are still denied their freedom and independence. Large-scale violations of human rights in Afghanistan continue to engender massive suffering.

The European Council supports the United Nations Secretary General's search for a political settlement based on principles overwhelmingly endorsed by the international community. The Council again calls on the Soviet Union to agree to a rapid and complete withdrawal of its forces.

Statements and comments

1.1.21. At the end of the European Council Mrs Thatcher held the traditional press conference with Mr Jacques Delors, President of the Commission. She stressed the concrete, if not spectacular nature of discussions, describing the meeting as very constructive and very practical. It had proved two things: the Community's importance to the man in the street (as regards employment, the economy and freedom of movement); and the growing success of Community cooperation in the face of the threat of terrorism. This cooperation was to be extended to the fight against drug abuse and to public health.

Mrs Thatcher then ran through the main points contained in the conclusions and added that there had been a good discussion on East-West relations the previous evening. She said that Mr Delors had described how he saw his task and his duties as regards the financing of the Community, agriculture and cohesion. Before presenting proposals to a subsequent European Council, Mr Delors would tour the Community capitals putting forward a number of options for discussion.

Mr Delors welcomed the fact that the European Council had given fresh impetus to three issues which the Commission claimed the Council had neglected: the cooperative strategy for economic growth, the framework programme for research and technological development, and the Erasmus programme. He then outlined how he would approach the tour of Community capitals requested by the European Council.

Mr Wilfred Martens, the Belgian Prime Minister, stated that his country approved of the efforts to increase employment through wage restraint and deregulation, but he felt it was necessary to increase production, adopt a homogeneous economic and social strategy and promote technological development (the framework programme must be adequately funded).

Mr Jacques Santer, the Luxembourg Prime Minister, specifically supported the growth strategy advocated by the Commission. He would like to see a small business information centre set up at the Commission. He stated that, if the Single Act were to be effective, it would have to be applied in its entirety. Mr Ruud Lubbers, the Dutch Prime Minister, called for bolder measures for the liberalization of capital and transport, endorsed the Commission's ideas on economic strategy and stressed the importance of the social dialogue.

In the view of President Mitterrand, the major achievement of the London European Council was the remit given to the President of the Commission, which would allow progress to be made on issues of vital importance to the Community-finance, reform of the common agricultural policy, and economic and social cohesion. On the common agricultural policy in particular, he felt that the time was not yet ripe; no 'grand design' or 'grand ideas' had been proposed and the first half of 1987 would have to be spent trying to work out an agreement. On the political front, President Mitterrand acknowledged that events in Reykjavik had shown that Europe should take more interest in defence. He stated that the exchange of views on the situation in Iran had not led to any discussion of President Reagan's present position 'although this does not mean to say that it was not in people's minds'. As regards terrorism, he confirmed that France would be ratifying the Strasbourg Convention.

Mr Bettino Craxi, the Italian Prime Minister, was pleased that a firm decision had been taken on Erasmus and stressed the need for Europe, now only an 'eye-witness' in world politics, to become a 'political

entity' willing and able to act on the international scene. He regretted that the most important issues had been deferred. The Community was in limbo: time was needed to restore some balance to Europe's finances (since two thirds of the budget still went to agriculture), but it was essential to make some progress both in correcting internal imbalances and on the institutional front. Turning to political questions, Mr Craxi felt that something had to be done about the Middle East, where territories have now been occupied for 20 years. On the aftermath of Reykjavik, he stressed the imbalance which would result in Europe from the removal of nuclear weapons. Finally, Mr Craxi stated that a meeting between the Community and Comecon could be useful in order to assess new economic prospects.

Chancellor Helmut Kohl had no doubts that the most important question from the Community's point of view was future financing, involving both the budget problem and reform of the agricultural policy. The German Government considered that the agricultural policy should be recast, but the income of family farms safeguarded. The Chancellor stressed the progress made on the economic and social front; he felt that unemployment should be combated by means of the cooperative growth strategy advocated by the Commission and by greater flexibility and a boost to small business. He was pleased that the European Council had discussed problems which lay close to

his heart (environment, terrorism) and promised that his Government would take full advantage of the possibilities presented by the Single Act (which would be ratified in the very near future).

Mr Felipe González, the Spanish Prime Minister, felt that completion of the internal market would be possible only if economic and social cohesion were developed at the same time. He stated that Spanish imports from the rest of the Community had increased since accession. The real problem was unemployment: Spain would have to create 600 000 jobs in the next 10 years. Flexibility was not enough. On a similar note, Mr Andreas Papandreou, the Greek Prime Minister, said that unemployment was the major problem and described it as 'out of control'. The promotion of investment and demand and the convergence of economic policies were essential. He called on the Commission to draw up six-monthly reports on the trend in the standard of living and economic development. The Taoiseach, Dr Garret Fitzgerald, was pleased that the Presidency's conclusions stressed the need for completing the internal market and for opening up the transport sector. Mr Poul Schlüter pointed out that Denmark had created 250 000 jobs through its income policy; he felt that this should be adopted at European level. On behalf of Portugal, Mr Aníbal Cavaco Silva called for a coordinated economic strategy under the Commission's direction.

2. Council agreement on milk and beef/veal

1.2.1. After a 'marathon' meeting of Agriculture Ministers lasting from 8 to 16 December, the Council arrived at a general agreement on major reforms as regards milk and beef/veal.

That political agreement is doubtless one of the most important to have been reached since the introduction of the common agricultural policy and must be regarded as a second major step¹ towards the adjustment of the policy. It is in line with the Commission's proposals² and with the efforts which the Commission has deployed over the years in an attempt to improve the situation on agricultural markets and curb both overproduction and the budget costs arising from it.

Mr Michael Jopling (President), the United Kingdom's Minister for Agriculture, described the meeting as 'historic', adding that the Agriculture Ministers had shown that they could take the necessary measures to reform the CAP and would not leave the decision to others. By adopting the Commission's proposal to reduce milk production by 9.5%, the Council has shown that it can take drastic action. Perhaps no less important for the future is the breach which has been opened up in the system of permanent intervention for such sensitive products as milk and beef.

The changes to the intervention arrangements for those two groups of products will contribute significantly to restoring Community intervention's original role as a safety net (by way of a minimum market price). The measures taken are also a major step towards bringing the overall level of farm spending under control by 1989, a fundamental aspect of the discussions on the future financing of the Community.

In reaching its decisions the Council took particular account of the special characteristics of farming in certain Member States and of the need to mitigate the effect which the decisions would have on the incomes of farmers, especially small farmers. That too is the aim of the accompanying socio-structural measures which the Council has

undertaken to adopt before the end of February 1987.³

As regards the disposal of stocks, in particular of milk products, the Member States agreed that improving the present situation required the introduction of a forceful offtake programme and took note of the Commission's intentions in that respect. A proposal for a financial scheme in keeping with the current situation will be put before the Council. The Council's decisions are dealt with in greater detail in the 'Agriculture' section below (→ point 2.1.211 to 2.1.214 and 2.1.219 to 2.1.221).

Although of historic importance, the agreement reached on 16 December represents only one stage in the process of reform of the CAP. It is a provisional agreement, and the Council will continue to discuss the socio-structural measures and the changes in the permanent intervention arrangements for milk products with a view to reaching decisions before 28 February. Moreover, the measures adopted in the case of beef/veal are to apply only until the end of 1988, by which time the Council must decide on a final revision of that market organization. Lastly, the agreement is, as far as the Member States are concerned, linked to decisions which have yet to be taken regarding the disposal of stocks and vegetable oils and fats and to the negotiations which will take place with the Community's main trading partners.

None the less, what was achieved during the Council meeting is undoubtedly a success for the President, who at the beginning of the meeting took a calculated risk in merging milk, beef/veal, the socio-structural measures, the agri-monetary adjustments and the decisions on sheepmeat into

¹ OJ L 90, 1.4.1984; OJ L 103, 16.4.1984; OJ L 107, 19.4.1984; OJ L 113, 28.4.1984; Bull. EC 3-1984, point 1.2.1 *et seq.*

² Bull. EC 12-1985, point 2.1.154 *et seq.*; OJ C 254, 11.10.1986; Bull. EC 9-1986, point 2.1.103 *et seq.*; Bull. EC 11-1986, point 2.1.170.

³ OJ C 273, 29.10.1986; Bull. EC 4-1986, point 1.3.1 *et seq.*

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E.C. SUMMIT LEADERS DISCUSS TERRORISM, INTERNAL MARKET, ECONOMY

European Community leaders discussed their common fight against terrorism, illegal immigration and drug trafficking at a December 5-6 summit meeting in London.

The 12 Heads of State or Government (the European Council) also pressed for new measures to remove national barriers to the free movement of people, goods, services and capital within the Community. They called for Community action to create jobs, improve the fiscal and administrative environment for small firms, and promote public awareness about the disease AIDS.

The text of the summit conclusions follows.

CONCLUSIONS OF THE EUROPEAN COUNCIL LONDON, DECEMBER 5-6, 1986

PROGRESS

The European Council noted that in the five years since their last meeting in London the Community had settled a number of difficult and divisive issues and had a record of solid achievements, notably:

- the convergence of economic and technological policies
- the accession of two new member states
- the adoption of a common fisheries policy
- the agreement on the Single European Act.

SINGLE EUROPEAN ACT

The Heads of State and Government noted that those Member States which have not already done so aim to ratify the Single European Act in time for it to enter into force on January 1, 1987.

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