**THE EUROPEAN COUNCIL**

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Documents in the dossier include:

*Brussels European Council*
Reproduced from the Bulletin of the European Communities, No. 2/1988

*E.C. Summit Leaders Agree on Major Budget and Agriculture Measures*
European Community News No. 5/1988
EC Office of Press and Public Affairs
Washington DC

*Joint Council Presidency/Commission Press Conference*
Helmut Kohl and Jacques Delors
European Council 11-13 February 1988

*Statement by Lord Plumb*
President of the European Parliament
Brussels, 11 February 1998

# 1. Brussels European Council

*1.1.1.* The European Council, attended by the Heads of State or Government of the Twelve, met in Brussels from 11 to 13 February, with Chancellor Kohl in the chair. The outcome was an agreement on all the conclusions relating to the dossier 'The Single Act: A new frontier for Europe'.[1] Then came agreement at the Council meeting of Foreign Ministers on 22 February, on the points referred to it by the European Council.

The success of this European Council is of crucial importance for the Community. The decisions pave the way for completion of the large frontier-free market and for implementation of the flanking policies. And the Community is making sure that it has the necessary resources. The successive compromises worked out by the Presidency helped bring about an agreement which preserves the coherence of the Commission's package of proposals in the following areas: level of the Community's resources; budgetary discipline and budget management; own resources system; flanking policies (including reform of the structural Funds); reform of the common agricultural policy; and correction of budgetary imbalances.

## Consolidated conclusions of the European Council (edited extracts)

### *Budgetary discipline and budget management*

#### Introduction

1. Budgetary discipline shall be applied in conformity with the conclusions of the Brussels European Council (29 and 30 June 1987).[2]

#### Ceilings

2. The Decision on the system of the Communities' own resources shall lay down, for payment appropriations, a new overall own resources ceiling ...

It shall also lay down a ceiling for commitment appropriations in 1992 and determine an orderly evolution for them, maintaining a strict relationship between commitment appropriations and payment appropriations ...

The Communities' annual budgets for the financial years 1988 to 1992 shall be kept within those ceilings.

#### Agricultural expenditure

*Reference framework*

3. The annual growth rate of EAGGF Guarantee expenditure ... shall not exceed 74% of the annual growth rate of the Community GNP.

4. The expenditure of EAGGF Guarantee shall be that chargeable to Section III, Part B, Titles 1 and 2 (EAGGF Guarantee) of the budget, less amounts corresponding to the disposal of ACP sugar, food-aid refunds, sugar and isoglucose levy payments by producers, and any other revenue raised from the agricultural sector in the future.

For the financial years 1988 to 1992, systematic depreciation costs for newly formed stocks, commencing at the time they are established, shall also be financed from the above allocation.

The Council shall enter each year in its draft budget the necessary appropriations to finance the costs of stock depreciation. Furthermore, Council Regulation 1883/78 is to be modified so as to create a legal obligation to proceed to stock depreciation over the period in question so as to arrive at a normal stock situation by 1992.

The Commission undertakes to make use of the appropriations in question in the early months of the budget year.

Costs connected with depreciation of existing excess agricultural stocks shall be kept outside the agricultural reference framework. The following amounts will be inscribed in Title 8 of the budget for depreciation of existing excessive stocks (1988 prices):

| | |
|---|---|
| 1988 | 1 200 million ECU |
| 1989-92 | 1 400 million ECU per year |

Spain and Portugal will be treated, as far as their financial participation in the depreciation of these

[1] Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

[2] Bull. EC 6-1987, points 1.1.1 to 1.1.9.

stocks is concerned, as if this depreciation had been entirely financed by the Community in 1987; an appropriate restitution will be entered in Title 8 of the budget for this purpose.

5. The reference basis for the definition of the annual allocations for EAGGF Guarantee expenditure shall be the 1988 expenditure figure of 27 500 million ECU (1988 prices), adjusted in accordance with point 4, paragraph 1.

6. The annual maximum allocation for the EAGGF Guarantee Section for a given year after 1988 shall be the reference basis set out in point 5 increased by 74% of the growth rate of GNP between 1988 and the year in question (adjusted in accordance with point 4, paragraph 1).

## Agricultural stabilizers

7. New agricultural stabilizers will be introduced according to the decisions set out under 'Agriculture' below, supplementing the existing agricultural stabilizers.

## Management of agricultural budget

8. Budgetary management of the EAGGF Guarantee expenditure shall be strengthened with a view to enabling the Commission to operate an efficient 'early warning system' concerning the development of expenditure of the individual EAGGF expenditure chapters. Before the beginning of each budget year the Commission shall define expenditure profiles for each budget chapter based on a comparison of monthly expenditure with the profile of the expenditure over the three preceding years. The Commission shall submit monthly reports thereafter on the development of actual expenditure against profiles. Where the Commission finds, thanks to the early warning system, that the rate of development of real expenditure is exceeding the forecast profile, or risks doing so, it shall use the management measures at its disposal, including those which it has under the stabilizing measures, to remedy the situation. If these measures are insufficient, the Commission shall examine the functioning of the agricultural stabilizers in the relevant sector and, if necessary, shall present proposals to the Council calculated to strengthen their action. The Council shall act within a period of two months in order to remedy the situation.

9. So as to enable the Council and the Commission to put the above rules into application, measures shall be taken to accelerate the transmission and treatment of data supplied by the Member States on agricultural expenditure within each marketing organization so as to ensure that the rate at which appropriations in each chapter are used is known with precision one month after expenditure has taken place. Present agriculture legislation will be adapted to ensure this. The special provisions concerning the financing of the CAP decided for 1987 (switch) shall continue to apply; however the delay of the advances by the Commission to Member States shall be extended from two to two and a half months. The present system for payments of interest will be continued.

Payment of Community advances is subject to Member States complying with their obligation to make available to the Commission the information set out above justifying Community payment.

The Commission declares that prudent management necessitates that payment of monthly advances by the Commission be executed only on the basis of the above information and to the extent that, as under the budgetary procedure for other compulsory expenditure, the availability of credits is established by chapter, i.e. by common market organization.

Where credits are not available, the Commission will propose corresponding transfers to the budget authority.

A realistic schedule shall be established for the clearance of EAGGF accounts.

## Fixing of agricultural prices

10. The Commission's price proposals shall be consistent with the limits laid down by the agricultural reference framework.

If the Commission considers that the outcome of the Council's discussions on these price proposals is likely to exceed the costs put forward in its original proposal, the final decision shall be referred to a special meeting of the Council attended by the Ministers for Finance and the Ministers for Agriculture which shall have the sole power to adopt a decision.

11. The agricultural allocation shall be respected each year.

### *Monetary reserve*

12. The level of EAGGF Guarantee expenditure may be influenced by movements in the dollar/ECU market rate. To cover developments caused by significant and unforeseen movements in the dollar/ECU market rate compared to the rate used in the budget, a monetary reserve of 1 000 million

ECU shall be entered each year in the budget in the form of provisional appropriations.

The reserve shall function in the following way:

(i) A report will be prepared by the Commission to the budget authority in October each year on the impact of movements in the dollar/ECU market rate on EAGGF Guarantee expenditure.

(ii) Savings or additional costs resulting from movements in the rate shall be treated in a symmetrical fashion. Where favourable changes take place in the dollar/ECU rate compared to the budget rate, the savings in the Guarantee Section of up to 1 000 million ECU shall be transferred to the monetary reserve. Where additional budgetary costs are engendered by a fall in the dollar against the ECU compared with the budget rate, transfers shall be made from the reserve to the EAGGF Guarantee lines in question.

(iii) There shall be a franchise of 400 million ECU. Savings or additional costs below this amount will not necessitate transfers to or from the monetary reserve. Savings or additional costs above this amount will be paid into or met from the monetary reserve.

(iv) The revenue corresponding to the monetary reserve will only be called up from the Member States if it is actually required, i.e. not until a transfer proposal from the reserve has been approved by the budget authority. The amount paid over by the Member States will be limited to the amount of the approved transfers.

(v) Any amount remaining at year-end in the monetary reserve will be cancelled and thus contribute to a budgetary surplus which is counted as a revenue item in succeeding budgets.

(vi) The monetary reserve shall not be included in the EAGGF Guarantee expenditure guideline.

## Other compulsory expenditure

13. The Council shall adopt each year the reference framework for the other compulsory expenditure (commitment appropriations and payment appropriations) with due regard for the Community's legal obligations.

## Non-compulsory expenditure

14. Budget discipline in this field will be applied in conformity with the principles set out in the conclusions of the Brussels European Council as follows:

'Budgetary discipline must be applied to all the Community's expenditure, both to payment appropriations and to commitment appropriations. It must be binding on all the institutions, which will be associated with its implementation.'

The Council, for its part, shall apply the provisions of Article 203(9) of the Treaty in such a way that the two following guidelines will be respected:

(a) progression of the NCE which has been the subject of a multiannual financing decision by the Council for the period 1988-92 (structural Funds, IMPs, research) ensuring that such decisions will be honoured;

(b) progression of NCE other than that referred to in (a) above equal to the maximum rate of increase communicated by the Commission.

The procedure laid down in Article 9 of the Council conclusions on budgetary discipline will continue to apply for these expenditures.

Member States will, within the framework of Article 203(9) of the Treaty, consider the result of these two guidelines as a maximum during the entire budget procedure.

## Interinstitutional agreement

15. The Council will aim to agree with the European Parliament an understanding on the implementation of the decisions of the European Council covering the whole period up to 1992.

The Council decisions to implement the decisions of the European Council in this field will be adopted in the light of the outcome of the discussions with the European Parliament and in conformity with the principles set out in point 14, paragraph 1 above and at the same time as the new own resources Decision.

## Strengthening of budgetary management

16. In the interests of better budgetary management, carryovers of differentiated appropriations shall no longer be automatic; certain carryovers justified by technical reasons may be decided by the Commission on the basis of specific criteria laid down in the Financial Regulation.

The restoration of certain appropriations following decommitments shall only be possible by decision of the Commission on the basis of specific criteria laid down in the rules for implementation of the Financial Regulation; decommitted appropriations shall otherwise be automatically cancelled.

The strengthening of these principles of annuality cannot call into question the achievement of the objectives fixed for Community policies.

17. The size of any future negative reserves in the budget shall be limited to 200 million ECU.

18. All the elements set out above are legally binding decisions on the general principles of budgetary discipline. Corresponding legal texts will be adopted to replace the 1984 Decision and will remain in force for the duration of the own resources Decision. Moreover:

(i) point 2 will be incorporated in the own resources Decision;

(ii) the stabilizers referred to in point 7 will be incorporated into the agricultural market organizations;

(iii) points 9, 16 and 17 will be implemented by a revision of the existing Financial Regulation.

A general revision of the Financial Regulation will be carried out before the end of 1988.

## *Flanking policy*

### Reform of the structural Funds

The Member States share the broad outlines of the Commission's general approach on the reform of the Funds: they confirm the conclusions of the European Council in Brussels as regards rationalization of the Funds' objectives, concentration of their measures in accordance with Community criteria, account being taken of the backwardness of certain regions or of regions in industrial decline, and recourse to the programme method.

#### *Objectives*

1. Community operations under the structural Funds, the European Investment Bank and the other financial instruments shall support the achievement of the general objectives set out in Articles 130a and 130c of the Treaty by contributing to the attainment of five priority objectives:

(i) promoting the development and structural adjustment of the less-developed regions ('Objective No 1');

(ii) converting the regions, border regions, or part regions (including employment areas and urban communities) seriously affected by industrial decline ('Objective' No 2');

(iii) combating long-term unemployment ('Objective No 3');

(iv) facilitating the occupational integration of young people ('Objective No 4');

(v) with a view to reform of the common agricultural policy, speeding up the adjustment of agricultural structures and promoting the development of rural areas ('Objective No 5').

#### *Method for selecting regions concerned by Objectives 1 and 2*

2. The Council shall fix the list of the structurally less-developed regions concerned by Objective No 1 in the comprehensive regulation.

The following regions shall be included in the list:

(i) regions [1] whose per capita GDP is lower than 75% of the Community average, taking the figure for the three last years;

(ii) Northern Ireland and the French overseas departments;

(iii) other regions whose per capita GDP is close to that of regions mentioned in (i) above and for which particular reasons exist for their inclusion on the list.

The list of regions shall be valid for five years. On expiry of the five-year period the Council, acting by qualified majority on a Commission proposal, shall decide on a new list.

3. The Council shall fix in the comprehensive regulation the socio-economic criteria governing the choice of regions, border regions, employment areas and urban communities concerned by Objective No 2. The criteria may be revised by the Council acting by qualified majority on a proposal of the Commission after three years.

The Commission shall, under the advisory, committee procedure, draw up the list of such regions, border regions or part regions (including employment areas and urban communities).

### Role of the three Funds

4. The structural Funds shall contribute, each according to the specific provisions governing its operations, to the attainment of Objectives Nos 1 to 5 on the basis of the breakdown given below:

(i) Objective No 1: ERDF, ESF, EAGGF Guidance Section,

(ii) Objective No 2: ERDF, ESF,

(iii) Objective No 3: ESF,

(iv) Objective No 4: ESF,

[1] Administrative level NUTS II.

(v) Objective No 5: EAGGF Guidance Section, ESF, ERDF.

Operations falling outside the primary missions of the ERDF (to promote Objectives 1 and 2), the ESF (to promote throughout the Community Objectives 3 and 4 and the EAGGF Guidance Section (to promote throughout the Community Objective 5) shall be guided by criteria to be laid down by the Council in the comprehensive regulation.

### *Geographical concentration and level of funding*

5. Commitment appropriations for the structural Funds will be doubled in 1993 by comparison with 1987. In addition to the resources earmarked for the financial year 1988 (7 400 million ECU), commitment appropriations will increase by 400 million ECU in 1988, by 1 300 million ECU each year from 1989 to 1992, representing 13 000 million ECU in 1992 (in 1988 prices). These amounts include 100 million ECU annually for the special programme for industrial development in Portugal (Pedip). This amount will be the subject of a special budgetary line independent of the structural Funds ... The effort will be continued in 1993 in order to achieve doubling.

The contributions of the structural Funds to the regions covered by Objective No 1 will be doubled by 1992.

The Commission shall ensure that in the framework of the additional resources for the regions covered by Objective No 1, a special effort will be undertaken for the least prosperous regions.

The Commission shall, in the annual reports which it submits under Article 15, demonstrate in particular what progress has been made towards achieving the objectives set out above; it may, to ensure progress in achieving these objectives, make any appropriate proposals that it considers necessary.

### *Differentiation of the Community contribution*

6. Community assistance from the Funds under the different objectives set out in Article 1 of the Commission's proposal will be subject to the following limits:

(i) maximum 75% of total cost and as a general rule; minimum 50% of public expenditure for measures applied in the regions defined for action under Objective No 1;

(ii) maximum 50% of total cost and as a general rule; minimum 25% of public expenditure for measures applied in other regions.

The Commission will take full account of the requirements of the action in question, including the ability of the Member State concerned to provide its share of the necessary finance.

Preparatory studies and technical assistance measures will be subject to special rules to be fixed in the comprehensive regulation; the minimum intervention rates referred to in the first paragraph above will not apply to income-generating investments.

### *Breakdown of the appropriations among Member States*

7. The comprehensive regulation will contain provisions regarding indicative shares of commitment appropriations under the ERDF in order to facilitate the Member States' programming of operations falling under the ERDF.

### *Procedure*

8. The Council shall adopt the comprehensive regulation in accordance with the principles set out above before 31 May 1988.

## *System of own resources*

1. The own resources Decision will be established in conformity with the conclusions of the European Council in Brussels (29 and 30 June 1987).

### Level of resources

2. The overall ceiling on own resources shall be fixed at 1.20% of the Community's total GNP for payment appropriations. An overall ceiling of 1.30% of total Community GNP shall be fixed for commitment appropriations. The total amount of own resources assigned to the Communities may not exceed for each year during the period 1988-92 a given percentage of the Community's total GNP for that year...

Before the end of 1991, the Commission shall present a report on the operation of the own resources system and the application of budgetary discipline.

The EDF will continue to be financed outside the budget.

The correction of budgetary imbalances will be carried out in such a way that the amount of own resources available for Community policies is not affected.

## Origin of own resources

3. Revenue from the following shall constitute own resources entered in the budget of the European Communities:

(i) agricultural levies and sugar and isoglucose duties less 10% to be withheld by Member States as collection costs;

(ii) CCT customs duties and custom duties on products coming under the ECSC Treaty less 10% to be withheld by Member States as collection costs;

(iii) the application of a rate of 1.4% valid for all Member States to the assessment base for value-added tax which is determined in a uniform manner for Member States according to Community rules; the assessment base for value-added tax may not exceed 55% of the gross national product at market prices of each Member State;

(iv) the application of a rate to be determined under the budgetary procedure in the light of the total of all other revenue to an additional base representing the sum of the gross national product at market prices.

It is assumed that the United Kingdom's compensatory payments will be dealt with in accordance with the present method (by means of VAT).

4. The above provisions must be embodied in a legal decision ready for submission to the parliaments of the Member States for ratification, which must be finally adopted by the Council before 31 May 1988, in order for it to be finally approved (after ratification by the national parliaments) before the end of 1988, with retroactive effect from 1 January 1988.

5. The Commission will introduce a directive on the application of the rules governing the establishment of the gross national product at market prices guaranteeing the comparability and uniformity of national statistics used for the purpose as well as the verification of these statistics and providing for a procedure of revision.

The Commission report referred to in point 2 above shall also assess what progress has been made towards taking greater account of the proportionality of contributions in accordance with the relative prosperity of Member States.

6. In order to cover the 1988 budget requirements and guarantee the Community's normal activities, the European Council agrees that until the new own resources Decision enters into force, Member States will make available any funds that are required in excess of the existing ceiling on own resources, in the form of non-repayable advances on payments due after entry into force of the own resources Decision. This will be brought about according to the appropriate national procedures.

## Correction of budgetary imbalances

The European Council conclusions of 25 and 26 June 1984 on the correction of budgetary imbalances remain applicable for as long as the new Decision on own resources remains in force.

The mechanism decided at Fontainebleau was based on the difference between the United Kingdom's VAT share and its share in allocated expenditure, multiplied by allocated expenditure. The compensation represented 66%.

The following modifications are to be made:

(i) the VAT share shall be replaced by the United Kingdom's share of payments under the third and fourth resources;

(ii) the effect on the United Kingdom in respect of a given year of the introduction of the fourth resource, which is not compensated by the change under (i) above, will be offset by an adjustment to the compensation in respect of that year;

(iii) the compensation to the United Kingdom will be financed by the 11 other Member States on the basis of a GNP key; however, the contribution of Germany is reduced by a third and those of Spain and Portugal are reduced in accordance with the abatement provided for in Articles 187 and 374 of the Act of Accession.

The review of the British compensation will be carried out in the framework of the Commission report on the system of own resources.

## *Agriculture*

1. Existing stabilization mechanisms will be reinforced and extended to other production sectors as set out in Annex I. They will take effect from the marketing year 1988/89. These measures should be accompanied by reinforced quality criteria.

2. Measures aimed at limiting supply directly by encouragement of temporary abandonment of land (set-aside) will be introduced in accordance with the principles set out in Annex II.

3. In view of the impact of such measures on farmers' income the measures can be accompanied by direct aids to income. Furthermore, optional Community arrangements for promoting the cessation of farming (early retirement) will be introduced (see Annex III).

4. Coordination between the different structural Funds and between the Community and the Member States will aim at preserving the equilibrium of the rural world. The Commission is invited to submit specific proposals to the Council as soon as possible.

5. Community legislation to implement the agricultural stabilization mechanisms will be adopted immediately. The measure under point 2 will enter into force at the same time as the stabilization measures for cereals.

6. The statements given in Annex IV are adopted.

## *Special budgetary provisions*

Two special budgetary headings will be created:

*(a) Set-aside and aids to income*

For these two forms of Community aid a ceiling of 600 million ECU will be set in 1992, 150 million ECU of which will be borne by the EAGGF Guarantee Section.

*(b) Programme for the modernization of Portuguese industry*

Together with the Portuguese authorities, the Commission has drawn up a modernization programme covering a period of five years from 1988 for a total amount of 1 000 million ECU. A special heading will be created for the additional part of this programme, i.e. 100 million ECU per year for five years (see the passage on the structural Funds above).

## *Annex I*

### Stabilization measures

### *1. Arable crops*

#### General guidelines

The Council agrees that the production of arable crops should be adjusted to the needs of the market.

Whereas the overall area under cultivation is more or less stable, production continues to increase largely due to increases in productivity.

As the crops are interchangeable, the Council agrees that a coherent support policy for all crops consistent with budgetary discipline must be pursued, bearing in mind that budgetary costs per hectare vary as between different crops.

In order to stabilize production as well as to ensure budgetary discipline, the Council agrees to introduce set-aside measures to supplement the stabilizing measures and other market policy measures.

In setting the guarantee thresholds for each three-year period the Council will be guided by the principles set out above.

### *2. Cereals*

(a) For the marketing years 1988/89, 1989/90, 1990/91 and 1991/92 the guarantee threshold will be set at 160 million tonnes.

(b) At the beginning of each marketing year an additional co-responsibility levy (CL) of 3% maximum will provisionally be charged in order to keep expenditure on market management within the budgetary limits.

(c) If at the end of the marketing year the guarantee threshold proves not to have been overshot or to have been overshot by less than 3%, the provisional CL will be entirely or partially reimbursed.

(d) If the guarantee threshold has been overshot, at the beginning of the next marketing year the intervention price will be reduced by 3% per year.

(e) The basic CL (currently 3%) and the additional CL will be paid by the first buyer.

(f) Small producers will be exempted from the basic and from the additional CL, in accordance with implementing provisions to be adopted by the Council on a proposal from the Commission as part of the 1988/89 farm price package.

(g) The Council agrees that intervention for Italy, Spain, Greece and Portugal will open from 1 August and for the other Member States from 1 October.

Specific measures concerning intervention ('B' intervention) may be taken to allow for early harvests in the southern Community countries.

(h) The Council notes the intention of the Commission to submit, in the framework of its price proposals for the 1988/89 marketing year, proposals on quality criteria for durum wheat.

(i) The European Council requests the Commission to re-examine the operation of the intervention system and to submit an operational report to the Council. It takes note that the Commission intends to propose appropriate adjustments to the amount of the monthly cereals increases as part of its next farm price proposals.

(j) The Council requests the Commission to examine what measures could be introduced for the utilization of cereals in compound feedingstuffs and to submit appropriate proposals in the context of the 1988/89 price-fixing.

### 3. *Oilseeds and protein products*

(a) The annual guarantee thresholds for the marketing years 1988/89, 19889/90 and 1990/91 will be fixed as follows:

colza: 4.5 million tonnes (Community of Ten);[1]

sunflower seed: 2.0 million tonnes (Community of Ten);[1]

soya: 1.3 million tonnes (Community of Twelve);

protein products: 3.5 million tonnes (Community of Twelve).

(b) To keep expenditure on market management within the budgetary limits, where the maximum quantity is exceeded, the institutional prices[2] for the current marketing year will be reduced by 0.45% for each 1% overshoot for the first marketing year 1988/89 and, if production exceeds the figures in (a), by 0.5% for each 1% overshoot for the following marketing years, at the latest by:

31 August for colza;

30 September for sunflower seed;

31 October for soya;

31 August for protein products.

Aid will be paid provisionally until it is established whether the maximum quantity has been exceeded.

(c) The Council asks the Commission to examine the possibility of introducing, in the oilseeds sector, a standard rate of aid to replace the present aid, and to report back to it.

### 4. *Olive oil*

Existing stabilizers will be maintained.

### 5. *Cotton*

Existing stabilizers will be maintained.

### 6. *Sugar*

Acceptance of the Commission proposals on stabilizers.

### 7. *Wine*

(a) The Council agrees to make the compulsory distillation price truly deterrent in order to encourage application of the scheme set out under (c) below and undertakes to act as soon as possible on the Commission proposals along these lines.

The Council requests the Commission to examine the question of scales in greater detail.

(b) The Council notes the Commission's intention to discontinue recourse to re-storage aid and gradually to reduce the volume of wine eligible for the special price support guarantee for long-term storage contract holders, with a view to phasing out the guarantee.

(c) Regarding the reduction of production potential, the Council will implement the conclusions of the Dublin European Council in the following manner:

(i) by introducing, in the framework of the voluntary abandonment arrangements, a direct link on the level of each producer between the reduction in wine-producing potential (by means of areas according to yields) and distillation measures;

(ii) this link will materialize as partial or total exemption from compulsory distillation depending on reduction in wine-producing potential, without reducing the total volume of compulsory distillation to be accomplished.

The Council, acting on a proposal from the Commission, will adopt arrangements for applying the principles set out above.

In parallel, the present arrangements for grubbing-up will be amended by eliminating the constraints which restrict their efficiency. To this effect:

(i) the arrangements will apply to all areas and will not lead to limitations on replanting rights on residual areas;

(ii) the administrative provisions relating to the payment of premiums will be strengthened.

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1 A corresponding adjustment in the guarantee thresholds for colza and sunflower seed is provided for in the case of Spain and Portugal.

2 For colza, rape and sunflower seed: guide price. For soya beans: target price. For peas and field beans: target price.

This set of measures will replace the proposal on restriction of replanting rights.

### 8. *Fruit and vegetables*

(a) The Council agrees that thresholds for quantities of fruit and vegetables eligible for intervention should be introduced; if the threshold is overrun, the basic and buying-in prices for the following marketing year will be reduced.

Decisions on the introduction of these thresholds will be taken by the Council on the basis of a proposal from the Commission, according to the situation on the markets concerned.

(b) The Council points out that stabilization mechanisms have already been decided on for a number of products, firstly for tomatoes and most recently for satsumas, mandarins, clementines and nectarines.

(c) Agreement on the Commission's policies on processed fruit and vegetables.

### 9. *Tobacco*

(a) Within a maximum quantity of 385 000 tonnes fixed for a period of three marketing years, specific thresholds will be fixed for each of the varieties or groups of varieties listed in Annex IV to the annual regulation fixing prices and premiums; these thresholds will be determined on the basis of criteria proposed by the Commission in its communication concerning the implementation of agricultural stabilizers.

(b) If these specific thresholds are overrun, penalties will be as follows: within the limit of a cut-off of 5% for the first and 15% for the second and third marketing years, the intervention price and the premiums will be reduced by 1% for each 1% production overrun.

(c) The Council asks the Commission to submit a study of the possible means of encouraging a contractual policy, accompanied, if appropriate, by suitable proposals.

### 10. *Milk*

(a) Extension of the quota system for a period of three years until 31 March 1992.

(b) Consequently, restrictions in the intervention arrangements[1] concerning skimmed-milk powder and butter will be extended for the same period, i.e. until 31 March 1992. Article 4a of Council Regulation (EEC) No 857/84 of 31 March 1984[2] will also remain in force for the same period.

(c) The suspension arrangements (5.5%) will remain in force until 31 March 1992, and compensation is fixed as follows:

10 ECU for 1987/88,

10 ECU for 1988/89,

8 ECU for 1989/90,

7 ECU for 1990/91,

6 ECU for 1991/92.

(d) The Commission will submit a report on the operation of the quota system to the Council before the end of the 1990/91 marketing year.

### 11. *Sheepmeat and goatmeat*

(a) A guarantee threshold corresponding to the number of ewes in the Community in 1987[3] will be fixed, and a specific guarantee threshold will be fixed for Great Britain,[4] linked with the application of the variable premium arrangements.

(b) If the threshold is overrun, the basic price will be reduced by 1% for each 1% overrun, with a corresponding reduction in the derived prices.

(c) External aspect: The Council takes note of the following points, submitted by the Commission, which should be taken into consideration when drawing up the brief:

(i) for non-member countries:

- respecting import prices discipline;
- effective restriction of import volumes;
- commitments in particular on presentation, especially for refrigerated products;

(ii) for the Community:

- an additional reduction of the residual tariff (currently 10%);
- commitments on the effects of our reforms of the system, for example budgetary stabilizers;
- progressive increase in flexibility of the arrangements for sensitive areas.

The Council asks the Commission to submit, on that basis, draft terms of reference for negotiations with non-member countries as soon as possible.

(d) The Council will re-examine the stabilization mechanism referred to above when adjusting the common organization of the market in this sector,

1 Council Regulations (EEC) No 773/87 and No 777/87 of 16 March 1987 (OJ L 78, 20.3.1987); Bull. EC 3-1987, point 2.1.150.
2 OJ L 90, 1.4.1984; Bull. EC 3-1984, point 1.2.4 *et seq.*
3 44 million ewes.
4 18 million ewes.