

THE EUROPEAN COUNCIL

**STRASBOURG
8-9 DECEMBER 1989**

Documents in the dossier include:

European Council, Strasbourg, 8 and 9 December

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*E.C. Leaders Firmly Support Monetary Union, the Social Charter and Creation of
European Development Bank*

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1. European Council

Strasbourg, 8 and 9 December

1.1.1. The meeting began in the morning of 8 December at the Palais des Congrès in Strasbourg under the chairmanship of President Mitterrand. It was attended by all the Heads of State or Government of the Member States, their Foreign Ministers and Commission President Delors and Vice-President Andriessen. The proceedings were concluded at the end of the morning of 9 December.

At the beginning of the meeting the European Council heard a statement by European Parliament President Barón Crespo in which he set out Parliament's position and priorities with regard to the main Community issues.

As Mr Delors said to the European Parliament a few days later (→ point 2.7.1), the meeting was exceptionally positive, with the Member States concerned to achieve closer unity and make the Community the focal point for a changing Europe.

For example, on the subject of economic and monetary union (EMU) the European Council noted, on the basis of an examination of the work carried out since the meeting in Madrid,¹ that the necessary majority existed for convening an intergovernmental conference before the end of 1990 to prepare an amendment of the Treaty with a view to the final stages of EMU.

Turning to the social dimension, the Heads of State or Government of 11 Member States adopted the Community Charter of the Fundamental Social Rights of Workers, and the European Council took note of the fact that the Commission had drawn up an action programme on the application of the Charter.²

Following on from its informal meeting in Paris,³ the European Council also reaffirmed the Community's desire to encourage the necessary economic reforms in Central and Eastern Europe by all the means at its disposal, and to continue its examination of the appropriate forms of

association with the countries which are pursuing the path of economic and political reform. The Council also approved a major declaration on this topic under the heading of European political cooperation.

Conclusions of the Presidency

Towards European union

1.1.2. The European Council is conscious of the responsibilities weighing on the Community in this crucial period for Europe. The current changes and the prospects for development in Europe demonstrate the attraction which the political and economic model of Community Europe holds for many countries.

The Community must live up to this expectation and these demands: its path lies not in withdrawal but in openness and cooperation, particularly with the other European States.

It is in the interest of all European States that the Community should become stronger and accelerate its progress towards European union.

The European Council adopted the following conclusions to this end:

Making the Single Act a reality

1.1.3. The Community is determined to carry out all the commitments contained in the Single Act in order to continue and extend the process of integration with a view to European union. This presupposes that the Community must finish off, within the time-limits laid down, the completion of the single market and that it should apply itself, at the same time, to giving concrete form to large-scale projects which will signify a new stage in its development.

An area without internal frontiers

1.1.4. The internal market is beginning to assume its final shape, and its positive effects are being felt in all sectors of economic life. In general,

¹ Bull. EC 6-1989, point 1.1.11.

² Bull. EC 11-1989, point 2.1.80.

³ Bull. EC 11-1989, points 2.2.15 to 2.2.17.

the timetable which was set is being adhered to. Important decisions have been taken during this six-month period: in the area of financial services, decisions have been taken on the coordination of legislation enabling banks to offer their services throughout the Community (→ point 2.1.5), the prohibition of insider dealing¹ and the coordination of motor vehicle insurance (→ point 2.1.16). The European Council hopes that this set of decisions will be swiftly supplemented by the adoption of directives, on the basis of Commission proposals, on investment services,² regulations on the solvency ratio (→ point 2.1.14), takeover bids,³ company law, in particular the European Company Statute,⁴ and the three tax proposals concerning cooperation between companies.⁵

Significant progress has also been made in the Council (Internal Market) on other major topics such as the control of company concentrations, on which a decision is to be taken before the end of this year (→ point 2.1.78). The European Council would also like decisive progress to be made regarding testing, standards and certification, the opening of public procurement markets in the telecommunications, energy, transport and water distribution sectors, and the freedom to provide life insurance services.

It is also requesting that rapid progress be made in the veterinary sphere. In the transport sector, it reiterates the importance of the initial decisions taken on road cabotage (→ point 2.1.243) and the guidelines adopted on air transport (→ point 2.1.250). It would like a coherent Community policy to be drawn up in the latter sector and an effective response found to the problem of the congestion of air space, in order to guarantee maximum safety for passengers. Further progress is needed in the three transport sectors: road transport, air transport and shipping. It notes with satisfaction the progress made in the telecommunications sector.

Special priority should be given to the development and interconnection of trans-European networks, notably in the area of air traffic control, the linking of the main Community conurbations by broadband telecommunications networks, the most efficient surface communications links and energy distribution. The European Council asks the Commission to propose the appropriate measures, taking into account the possibility of extending such action to the whole of the Community, paying particular attention to situations arising at the Community's limits in the context of economic and social cohesion (→ point 2.1.44).

With regard to the taxation of savings, the European Council notes the progress which has been made since Madrid. It asks the Council to complete its proceedings as soon as possible and, as an

accompaniment to the liberalization of capital movements, to take measures to combat tax evasion effectively, in accordance with earlier decisions.⁶

With regard to indirect taxation, it notes with satisfaction the progress made during the last few months with the formulation of a transitional system which will lighten the burden on undertakings and administrations and enable border checks to be eliminated (→ point 2.1.45).⁷

It considers that these arrangements need to be supplemented by the elements which will be essential in particular to enable the progressive approximation of VAT rates and to resolve the problems connected with the removal, on 1 January 1993, of limits on purchases by private individuals for their personal consumption when travelling within the Community.

The European Council asks the Council to adopt as soon as possible, on a proposal from the Commission, the decisions which will make the process of the complete abolition of fiscal frontiers irreversible.

Flanking policies

1.1.5. According to the Single Act, completion of the internal market must be backed up by a number of flanking policies. Amongst these, measures to achieve closer economic and social cohesion are of particular importance to enable the Community as a whole to reap the benefits expected from the large market. The European Council welcomes the implementation of the reform of the structural policies within the period laid down.

Environment

1.1.6. An improvement in the quality of life will come from paying greater attention to the problems of the environment. The nature and seriousness of the problems arising in this sphere make more and more necessary a perspective and measures which go beyond the national framework.

¹ OJ L 334, 18.11.1989; Bull. EC 11-1989, point 2.1.8.

² OJ C 43, 22.2.1989; Bull. EC 12-1988, point 2.1.147.

³ OJ C 64, 14.3.1989; Bull. EC 12-1988, point 2.1.149; Supplement 3/89 — Bull. EC.

⁴ OJ C 263, 16.10.1989; Bull. EC 7/8-1989, points 1.2.1 to 1.2.6; Supplement 5/89 — Bull. EC.

⁵ OJ C 39, 22.3.1969; OJ C 163, 11.7.1977.

⁶ Bull. EC 3-1989, point 2.5.11; Bull. EC 6-1989, points 1.1.4 and 2.5.9.

⁷ Bull. EC 10-1989, point 2.1.36; Bull. EC 11-1989, point 2.1.27.

The European Council confirms the desire of the Community and its Member States to play a greater part in the devising of international strategies for combating the dangers which threaten the environment, in particular by taking an active part in the drafting of a world convention on climate.

The European Council notes with satisfaction the unanimous agreement of the Council¹ on the arrangements for the setting up of the European Environment Agency as from 1990. This Agency, which will be open to non-EEC European countries who wish to join, will constitute a decisive stage on the road towards improved knowledge of the state of the European environment and will thus help to improve the strategies for dealing with the problems that arise. The European Council would like the Council to take an early decision on the Agency's headquarters.

Research

1.1.7. The European Council would like the Council to reach agreement before the end of the year on the new framework programme for 1990-94 (→ point 2.1.58), the implementation of which should enable major progress to be made regarding the competitiveness of key sectors of European industry.

The European Council is pleased with the increased participation by EFTA countries in Community research programmes and hopes that cooperation with these countries and their association will develop further when the new framework programme is implemented.

Audiovisual

1.1.8. The commitment of citizens to the European idea depends on positive measures being taken to enhance and promote European culture in its richness and diversity. In this context the European Council considers it essential to consolidate recent achievements and capitalize on the guidelines which emerged from the Audiovisual Conference² in order to develop Europe's audiovisual capacity: Directive on the free movement of televised programmes and competition policy. It hopes that the efforts to produce the European HDTV system (→ point 2.1.65) will be stepped up, that the Community action programme extending Media will receive the necessary financial support and that the necessary synergy with audiovisual Eureka will be ensured.

Free movement of persons and a people's Europe

1.1.9. All Community policies in the economic and social spheres contribute directly and indirectly to consolidating a common sense of belonging. This movement must be broadened and accelerated by the adoption of concrete measures which will enable European citizens to recognize in their daily lives that they belong to a single entity.

The European Council underlines the importance in this respect of the progressive abolition of formalities at the Community's internal borders which impede the free movement of persons and symbolize division, which means that effective measures need to be taken at the same time to combat terrorism, drug addiction and organized crime. The progressive abolition of border formalities shall not affect the right of Member States to take such measures as they consider necessary for the purpose of controlling immigration from third countries, and to combat terrorism, crime, the traffic in drugs and illicit trading in works of art and antiques. The European Council asks the Commission, while taking account of national and Community spheres of competence, to study suitable measures for establishing effective controls at the Community's external frontiers.

The European Council takes note of the progress made within the Coordinators' Group as described in the progress report drawn up under the responsibility of the Presidency. The European Council would like the work to be stepped up and accelerated so that progress towards the free movement of persons can keep pace with that achieved on the free movement of goods, services and capital, in accordance with the timetable set out in the Palma document.³

The European Council would like an inventory to be prepared of national positions on immigration so that a discussion on this issue within the Council can be prepared. In the light of that debate, the European Council calls upon the relevant bodies to conclude as soon as possible, and no later than the end of 1990, the conventions which are under examination on the right of asylum, the crossing of the Community's external frontiers, and visas. In this context, an inventory will be made of national policies on asylum with a view to achieving harmonization.

¹ Bull. EC 11-1989, point 2.1.116.

² Bull. EC 12-1988, point 1.1.13; Bull. EC 9-1989, point 2.1.68; Bull. EC 10-1989, point 2.1.98.

³ Bull. EC 6-1989, point 1.1.7.

The European Council emphasizes the need, throughout those proceedings, to ensure that the procedure for cooperation between administrations first ensure the protection of individuals with regard to the use of personalized databanks.

The European Council calls upon the Coordinators' Group on Drugs recently set up on the initiative of the President of the French Republic to take all necessary steps to ensure the vital coordination of Member States' actions in the main areas of the fight against this scourge, namely prevention, health and social policy with regard to drug addicts, the suppression of drug trafficking, and international action. In this context, the European Council warmly welcomes the courageous action taken by certain countries, notably Colombia, and would like everything possible to be done to contribute to the success of their efforts.

The European Council reaffirms in this connection the need for the resumption, as soon as possible, of the negotiations within the International Coffee Organization with a view to concluding a new agreement to protect the income of producers in those countries.

The European Council welcomes the significant results obtained by implementing the programmes on exchanges of young persons and students (Erasmus, Comett, Lingua), which contribute to developing European awareness, as will the forthcoming introduction of a European emergency health card and a European youth card. Similarly, the European Council particularly welcomes the decisive progress made recently towards agreement on granting all Community nationals the right of residence in the Member State of their choice (→ point 2.1.11). This important measure, which is scheduled for adoption before the end of the year, represents an important step towards the integration of the peoples of the Community. The European Council indicated its satisfaction at the conduct of the 'Europe against cancer' programme and at the agreement of principle reached on adoption of the second action programme 1990-94.¹

Social dimension

1.1.10. Establishment of the single market has already led to significant results, as evidenced by sustained growth, a considerable increase in investment and in particular by the creation of new jobs, projected at five million for 1988-90.

The European Council considers that this trend, together with the adoption of directives on the health and safety of workers, Community action programmes relating to the integration of unemployed young persons into working life and the fight against long-term unemployment, and of

those relating to vocational training, constitute decisive aspects of the Community social dimension.

The Heads of State or Government of 11 Member States adopted the Community Charter of the Fundamental Social Rights of Workers. This Charter reflects their sincere attachment to a model of social relations based on common traditions and practices. It will serve them as a reference point for taking fuller account in future of the social dimension in the development of the Community.

The European Council takes note of the fact that the Commission has drawn up an action programme on the application of the Charter² and calls upon the Council to deliberate upon the Commission's proposals in the light of the social dimension of the internal market and having regard to national and Community responsibilities.

Economic and monetary union

1.1.11. The European Council examined the work carried out since the European Council meeting in Madrid with a view to a meeting of the Intergovernmental Conference.

It noted the agreement reached in the Council and the initiatives of the governors of the central banks with a view to strengthening the coordination of economic policies and improving collaboration between central banks. It notes that these decisions will enable the first stage of EMU as defined in the report from the Delors Committee³ to begin on 1 July 1990.

It took note of the report from the high-level working party, which identified the main technical, institutional and political issues to be discussed with a view to a Treaty on economic and monetary union.

On this basis, and following a discussion on the calling of an intergovernmental conference charged with preparing an amendment of the Treaty with a view to the final stages of EMU, the President of the European Council noted that the necessary majority existed for convening such a conference under Article 236 of the Treaty. That conference will meet, under the auspices of the Italian authorities, before the end of 1990. It will draw up its own agenda and set the timetable for its proceedings.

¹ Bull. EC 11-1989, point 2.1.93.

² Bull. EC 11-1989, point 2.1.80.

³ Bull. EC 4-1989, points 1.1.1 to 1.1.9.

The European Council emphasized, in this context, the need to ensure the proper observance of democratic control in each of the Member States.

With a view to the new term of the European Parliament which will begin in 1994, it calls for economic and monetary union to comply fully with this democratic requirement.

The European Council also took note of the Commission's intention to submit before 1 April a composite paper on all aspects of the achievement of economic and monetary union which will take into account all available analyses and contributions.

The European Council emphasized the need for the Council to use the period prior to the opening of the conference to ensure the best possible preparation.

The proceedings as a whole will be examined by the Council in preparation for the European Council meeting in Dublin.

A Community of responsibility and solidarity

1.1.12. In keeping with the principles set out in the Rhodes¹ and Madrid² Declarations, the Community will develop its role and that of its Member States in the international political and economic arena in a spirit of openness, solidarity and cooperation. It will meet its responsibilities *vis-à-vis* countries with which it maintains all manner of links and relationships, historical and geographical in origin.

EFTA

1.1.13. The European Council welcomes the progress of the discussions which have taken place since the Madrid Council and hopes that at the ministerial meeting on 19 December (→ point 2.2.20) a decision will be taken to begin negotiations so that the Community and EFTA can, at the earliest opportunity, reach a comprehensive agreement strengthening, on the basis of the relevant *acquis communautaire*, their cooperation in the framework of a European economic area of 18 States in complete accordance with multilateral commitments.

The Community hopes that this cooperation will be as close as possible and that it will ensure EFTA's participation in certain Community activities and in the disciplines and benefits of the internal market, in full compliance with the independent decision-making processes of each organ-

ization and a strict balance of rights and obligations.

The European Council hopes that the negotiations to be opened in the first half of 1990 will produce appropriate, pragmatic arrangements for institutional cooperation which are fully in keeping with the above principles.

This new relationship between the EEC and EFTA will be in the interests of both parties and meet the expectations of the peoples of Europe.

Central and Eastern Europe

1.1.14. The Community's dynamism and influence make it the European entity to which the countries of Central and Eastern Europe now refer, seeking to establish close links. The Community has taken and will take the necessary decision to strengthen its cooperation with peoples aspiring to freedom, democracy and progress and with States which intend their founding principles to be democracy, pluralism and the rule of law. It will encourage the necessary economic reforms by all the means at its disposal, and will continue its examination of the appropriate forms of association with the countries which are pursuing the path of economic and political reforms. The Community's readiness and its commitment to cooperation are central to the policy which it is pursuing and which is defined in the declaration adopted today (→ point 1.1.20) the objective remains, as stated in the Rhodes Declaration,¹ that of overcoming the divisions of Europe.

The Community has concluded trade agreements and, for the most part, cooperation agreements with Czechoslovakia,³ Hungary⁴ and Poland.⁵ The Agreement with the USSR should be signed by the end of this year (→ point 2.2.35). The Council will, as soon as possible, instruct the Commission to negotiate a trade and cooperation agreement with the GDR to be concluded during the first half of 1990 (→ point 2.2.32).

The European Council welcomes the decision taken by the Council on 27 November⁶ temporarily granting Poland and Hungary special trade facilities in order to contribute towards solving their specific political and economic problems.

It noted the decision taken by the Community to assist economic reform in Poland and Hungary.

¹ Bull. EC 12-1988, point 1.1.10.

² Bull. EC 6-1989, point 1.1.13.

³ OJ L 88, 31.3.1989; Bull. EC 3-1989, point 2.2.9.

⁴ OJ L 327, 30.11.1988; Bull. EC 11-1988, point 2.2.29.

⁵ Bull. EC 9-1989, point 2.2.11.

⁶ Bull. EC 11-1989, point 2.2.21.

The Community took part, in cooperation with its main Western partners, in an operation to supply agricultural products to Poland.¹ In view of the scale and urgency of the needs, the European Council would ask the Council to take a decision in the near future on a further such operation.

At their meeting in Paris on 18 November 1989,² the Heads of State or Government asked the Troika of Presidencies and the Commission to make progress in discussion and decision-taking with regard to the following:

- (i) the European Council approved the principle of granting observer status to the USSR in GATT;
- (ii) the Commission has submitted proposals designed to allow nationals of the countries of Central and Eastern Europe to take part in a number of educational and training programmes similar to Community programmes; the European Council requests the Council to take the relevant decisions;
- (iii) the European Council calls upon the Council to take, at the beginning of 1990, the requisite decisions for the setting-up of a European vocational training foundation, on the basis of proposals which the Commission is to submit;
- (iv) the European Council approved the creation of a European Bank for Reconstruction and Development. Its aim will be to promote, in consultation with the IMF and the World Bank, productive and competitive investment in the States of Central and Eastern Europe, to reduce, where appropriate, any risks related to the financing of their economies, to assist the transition towards a more market-oriented economy and to speed up the necessary structural adjustments. The States of Central and Eastern Europe concerned will be able to participate in the capital and management of this bank, in which the Member States, the Community and the European Investment Bank will have a majority holding. Other countries, and in particular the other member countries of the OECD, will be invited to participate. The European Council hopes that the European Bank for Reconstruction and Development will be set up as soon as possible. The European Council requests that the necessary steps be taken to ensure that negotiations are opened in January 1990. The European Investment Bank will play a key role in preparing the way for this new institution.

The European Council confirmed the Community's readiness to participate, under the conditions defined at the meeting on 18 November, in the creation of a stabilization fund for Poland. It emphasized that the combined contributions of the Twelve would provide more than half the resources of the fund, which is to receive USD 1 000 million. The European Council referred to

the need to grant Hungary, after agreement with the IMF, an adjustment loan of the same amount.

It called upon the Council to take an early decision on the Commission proposals.

The European Council confirmed the key importance it attaches to the fact that aid and cooperation projects decided on by Western countries should be as complementary as possible. It reaffirmed the need to maintain and strengthen the procedure established by the Community. It expects the forthcoming ministerial meeting of the 24 Western countries on 13 December (→ point 2.2.23) to take the necessary substantive and procedural decisions to ensure that the efforts undertaken to facilitate the transition taking place in Poland and Hungary and possibly in other countries of Central and Eastern Europe are coordinated and effective.

The European Council is following carefully and with interest the important reforms planned in Yugoslavia and confirms the Community's undertaking to examine — once the agreement with the Monetary Fund is concluded — additional measures in support of the programme for improving that country's economic and financial situation.

Mediterranean

1.1.15. The European Council considers that the Community must in the coming months flesh out its policy of neighbourly relations with the Mediterranean States, with which it has long had preferential ties. The specific relationship with Mediterranean countries must be intensified and make it possible to support them in their efforts towards cooperation with Europe, regional integration and economic development.

The Community attaches great importance to the creation of the AMU (Arab Maghreb Union) and will implement the most appropriate cooperation. It will continue the Euro-Arab dialogue at the December meeting (→ point 2.2.45).

The European Council calls upon the Council to adapt, on the basis of the Commission communication, the instruments provided for under the current agreements in order to institute the means and methods of cooperation which are best suited to the special nature of the relations which must develop between the Community and these countries, taking into consideration the particular problems of each of them.

¹ OJ L 216, 27.7.1989; Bull. EC 7/8-1989, point 1.1.4; Bull. EC 11-1989, point 2.2.25.

² Bull. EC 11-1989, points 2.2.15 to 2.2.17.

Latin America and ACP States

1.1.16. The Community must strengthen its cooperation with the Latin American countries: in particular it must support the efforts of the Andean Pact countries to combat drugs, find substitute crops and improve the outlets for those crops.

The European Council welcomes the conclusion of the fourth Lomé Convention, which deepens and broadens the privileged relations between the Community and the Associated African, Caribbean and Pacific States. That Convention will be signed within the coming days (→ point 1.2.1 *et seq.*).

European political cooperation

1.1.17. The European Council discussed the following subjects of political cooperation: Central and Eastern Europe, Middle East, Lebanon, Euro-Arab Conference, Southern Africa, Ethiopia, Chile, and Central America. It approved the following statements:

Cyprus

1.1.18. The European Council expressed its deep disquiet that the tragic division of Cyprus, a country belonging to the European family, remains unchanged despite the renewed efforts over 15 months of the Secretary-General of the United Nations.

It also reiterated its appeal to all parties to cooperate with Mr Pérez de Cuellar and his representative on the spot so as to overcome the obstacles to the pursuit of dialogue. It asked them not to miss this opportunity for a just and lasting settlement that will safeguard the unity, independence, sovereignty and territorial integrity of Cyprus in accordance with the relevant resolutions of the United Nations.

Human rights

1.1.19. The European Council took note of the report of the Political Committee summing up the activity of the Twelve in the field of human rights in 1989. In this connection, it approved the text of a press release.

Declaration on Central and Eastern Europe

1.1.20. Each day in Central and Eastern Europe change is asserting itself more strongly. Every-

where a powerful aspiration toward freedom, democracy, respect for human rights, prosperity, social justice and peace is being expressed. The people are clearly showing their will to take their own destiny in hand to choose the path of their development. Such a profound and rapid development would not have been possible without the policy of openness and reform led by Mr Gorbachev.

Expressing the feelings of the people of the whole Community, we are deeply gladdened by the changes taking place. These are historic events and no doubt the most important since the Second World War. The success of a strong and dynamic European Community, the vitality of the CSCE process and stability in the area of security, in which the United States and Canada participate, have contributed greatly to them.

These changes give reason to hope that the division in Europe can be overcome in accordance with the aims of the Helsinki Final Act which seeks, through a global and balanced approach and on the basis of a set of principles which retain their full value, to establish new relations between European countries whether in the area of security, economic and technical cooperation, or the human dimension.

We seek the strengthening of the state of peace in Europe in which the German people will regain its unity through free self-determination. This process should take place peacefully and democratically, in full respect of the relevant agreements and treaties and of all the principles defined by the Helsinki Final Act, in a context of dialogue and East-West cooperation. It also has to be placed in the perspective of European integration.

Already the hopes which we expressed a year ago in the Rhodes Declaration¹ have begun to take shape. The progress recorded in the negotiations on conventional and chemical disarmament, the greater freedom of movement of persons and ideas, the greater assurance of respect of human rights and fundamental freedoms, and the different agreements concluded between the Community and certain of these countries are substantially changing the climate of relations in Europe.

The European Council is convinced in the present circumstances that all must, more than ever, demonstrate their sense of responsibility. The changes and transitions which are necessary must not take place to the detriment of the stability of Europe but rather must contribute to strengthening it.

¹ Bull. EC 12-1988, point 1.1.10.

