

THE EUROPEAN COUNCIL

**MILAN
28-29 JUNE 1985**

Documents in the dossier include:

European Council in Milan

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Milan Summit Advances Eureka Project
European Community News No. 21/1985
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2. European Council in Milan

1.2.1. The European Council opened at the Castello Sforza in Milan on the morning of 28 June and finished in the evening of 29 June. Taking part were the Italian Prime Minister, Mr Bettino Craxi, who took the chair, the President of the French Republic, Mr François Mitterrand, the Belgian Prime Minister, Mr Wilfried Martens, the Chancellor of the Federal Republic of Germany, Mr Helmut Kohl, the Danish Prime Minister, Mr Pol Schlüter, the Greek Prime Minister, Mr Andreas Papandreou, the Taoiseach, Mr Garret Fitzgerald, the Luxembourg Prime Minister, Mr Jacques Santer, the Dutch Prime Minister, Mr Rudolf Lubbers, and the United Kingdom Prime Minister, Mrs Margaret Thatcher.

The Heads of State or Government were accompanied by their respective Foreign Ministers. The Commission was represented by Mr Jacques Delors, President, and Mr Lorenzo Natali, Vice-President. Also present as observers were the Prime Ministers of Spain and Portugal, Felipe González and Mário Soares, and their Foreign Ministers.

This was the first occasion on which the European Council did not have to deal with urgent outstanding questions or settle disputes, but could look firmly to the future.

Mr Delors, taking stock of the Milan Summit, said at a press conference: 'Firstly, as regards the Community dynamic, this meeting saw the emergence of a broader, deeper and in a way more serious awareness of the challenges facing Europe than I have ever seen or even read about. The meeting has also shown a more confident determination than usual to face up to these challenges. What further proof could be needed than the very great interest shown by the European Council in our proposals on the internal market and the problems of technology, and on economic questions in general ... I believe, then, that this European Council will stand in the history of Europe as a kind of turning point in the Europeans' resolve not only to survive, but to assert themselves independently and to join forces

to tackle the main problems—which you are as familiar with as I am.'

On institutional matters, Mr Craxi noted that the political requirements were satisfied for convening an intergovernmental conference to draft a treaty on a common foreign and security policy and, in accordance with Article 236 of the EEC Treaty, to draw up the amendments to the EEC Treaty that were needed to enable institutional changes to be made in the Council's decision-making procedure, the Commission's executive power and the powers of Parliament, and the extension of Community activities into new areas as proposed by the Dooge and Adonnino Committees. In the course of the European Council's proceedings the Belgian, German, French, Irish, Italian, Luxembourg and Netherlands Governments came out in favour of holding such a conference, while the British, Danish and Greek Governments were against the idea.

Mr Craxi concluded that the Presidency would convene the conference once the formal procedures required had been completed. The Spanish and Portuguese Governments would be invited to take part.

Conclusions of the European Council

Institutional affairs

1.2.2. The European Council held a wide-ranging discussion on the proposals of the *ad hoc* Committee for Institutional Affairs set up at Fontainebleau, and the draft mandate of the Italian Presidency and in particular on the improvement of the Council's decision-making procedure, the enlargement of the European Parliament's role, the Commission's administrative powers and the strengthening of political cooperation in the general context of the transition to European union.

It confirmed the need to improve the operation of the Community in order to give concrete form to the objectives it has set itself, in particular as regards the completion of the internal market by 1992 and measures to promote a technological Europe.

The European Council noted that the President of the Council would submit proposals for the improvement of the Council's decision-making procedure, the exercise of the Commission's administrative powers and the Parliament's powers with a view to their early adoption.

The European Council discussed in detail the convening of a conference to work out the following with a view to achieving concrete progress on European Union:

- (i) a treaty on a common foreign and security policy on the basis of the Franco-German and United Kingdom drafts;
- (ii) the amendments to the EEC Treaty in accordance with Article 236 of that Treaty, required for the implementation of the institutional changes concerning the Council's decision-making procedure, the Commission's executive power and the powers of the European Parliament and the extension to new spheres of activity in accordance with the proposals of the Dooge Committee and the Adonino Committee, as set out elsewhere, and taking into account certain aspects of the Commission proposal concerning the freedom of movement of persons.

The President noted that the required majority as laid down in Article 236 of the Treaty had been obtained for the convening of such a Conference. The Portuguese and Spanish Governments would be invited to take part in that Conference. The Belgian, German, French, Irish, Italian, Luxembourg and Netherlands delegations were in favour of holding that Conference.

The Presidency would consequently take the steps necessary to convene that Conference with a view to submitting the results for a decision by the Heads of State or Government at the European Council meeting in Luxembourg.

A people's Europe

1.2.3. The European Council thanked the *ad hoc* Committee on a People's Europe for its initial report and for its final report submitted in Milan, both of which contained numerous concrete measures aimed at involving the citizens of Europe more determinedly in the construction of the Community.

With regard to the latter report, the European Council approved the proposals which it contained. Those proposals concerned *inter alia* citizens' rights, culture, youth, education and sport. The European Council instructed the Commission and the Member States, acting within their respective powers, to take the necessary implementing measures, and instructed the Council to report

to it at its December meeting on the progress achieved.

The European Council accepted the suggestions along the same lines contained in the French memorandum on a People's Europe and emphasized in particular the sections of that document concerning young people, culture and health. In this context, the European Council emphasized the value of launching a European action programme against cancer.

With regard to the measures contained in the initial report and approved by the European Council in March 1985, the European Council expressed its concern at the delay in implementing them and asked the Council, the Member States and the Commission, each acting within its own powers, to take the necessary decisions to remedy this situation as soon as possible.

Economic and social situation

1.2.4. The European Council discussed the economic and social situation on the basis of two reports submitted by the Presidency on the future of the EMS and on the problem of investment and employment in the context of the implementation of the strategy defined in Dublin in December 1984.

As regards the EMS, the Commission was invited to continue its consideration of its development, including the role of the ECU, at Council meetings on economic and financial affairs and with the Governors of the Central Banks.

As regards short-term economic policy, the Council of Ministers for Economic and Financial Affairs was invited to consider the extent to which the convergence which had already been achieved between the Member States in the field of inflation and imbalances made it possible to intensify the battle against unemployment.

On a more general level, the European Council invited the Commission to submit to the European Council meeting in December a detailed report on current inadequacies as regards growth and employment in the European economy compared to that of its major competitors amongst the industrialized countries and on the new strategies that could be implemented to remedy the situation.

Completion of the internal market

1.2.5. The Council welcomed the white paper on completing the internal market, submitted at its request by the Commission.

1. It instructed the Council to initiate a precise programme of action, based on the white paper and the conditions on the basis of which customs union had been brought about, with a view to achieving completely and effectively the conditions for a single market in the Community by 1992 at the latest, in accordance with stages fixed in relation to previously determined priorities and a binding timetable.

Progress towards this objective should be both gradual and visible and the European Council therefore requested the Commission to submit its proposals swiftly and the Council to ensure that they were adopted within the deadlines established in the timetable.

The following fields and measures were considered to be of high priority:

- (i) the removal of physical barriers to the free movement of goods within the Community;
- (ii) the removal of technical barriers to the free movement of goods within the Community (in particular the adoption of common or compatible standards for major new technologies in order to open up public purchasing and satisfy the needs of the economy);
- (iii) the creation of a free market in the financial services and transport sectors;
- (iv) the creation of full freedom of establishment for the professions;
- (v) the liberalization of capital movements.

In deciding on the above measures the Community will make every effort to ensure that the creation of a single free market contributes to furthering the more general objectives of the Treaty including those of harmonious development and economic convergence.

2. As regards the method: application whenever the situation permits of the principle of the general equivalence of the Member States' legislative objectives and of its corollaries: the fixing of minimum standards, mutual recognition and monitoring by the country of origin; an undertaking on the part of the Member States not to take measures, throughout the realization of the programme, that would have the effect of delaying the Community's achievement of the above objective.

3. As regards the approximation of VAT and excise duties, the European Council invited the Council of Ministers for Financial Affairs to examine on the basis of the white paper any measures which might be necessary for the achievement of the objective of a single market and the possible timetable for the application of those measures.

4. The Council of Ministers was asked to study the institutional conditions in which the completion of the internal market could be achieved within the desired time limits.

Technology

1.2.6. The European Council noted a collective effort to master new technology was a condition for maintaining European competitiveness. It therefore decided to give the Community a new technological dimension.

The European Council approved and endorsed the Commission report on the strengthening of technological cooperation in Europe.

The European Council gave its support to the French Eureka project for creating a technological Europe and to the Commission's constructive proposals in the same direction, and noted with interest the agreement already signed by several European companies.

It expressed the wish that the Eureka project should be open to those non-Community countries which had already shown interest in taking part in it. France, the originator of the project, would continue the steps it was taking by convening, in collaboration with the Presidency and the Commission, an *ad hoc* committee before 14 July to hold a session on European technology. The committee would bring together the Ministers for Research or other qualified representatives of the governments of countries which had responded positively to the initiative and representatives of the Commission.

The European Council considered that these steps should exploit the Community dimension in order to:

- (i) establish a close link between technological development and the effort to unify the internal market, for example by means of practical incentive measures such as the Eurotype proposal;
- (ii) ensure that the technological effort was closely tied in with common policies, in particular trade policy towards the Community's main partners;
- (iii) reduce the risk of unnecessary duplication of national efforts and assemble a critical mass of financial and human resources;
- (iv) obtain the maximum benefit from the immediately available Community technical and financial instruments, including those of the EIB.

Japan

1.2.7. The European Council examined the question of trade relations with Japan, in particular in

the light of the serious concern which the Council had expressed at its meeting on 19 June and which the European Council fully shared.

More particularly, the European Council's discussions were held in the context of the responsibilities which Japan shares with its Western partners for safeguarding and strengthening the system of multilateral trade.

The European Council endorsed the request made by the Council that Japan should undertake to increase significantly and continuously its imports of manufactured products and processed agricultural products; it also emphasized the importance of liberalizing Japanese financial markets and internationalizing the yen.

The European Council asked the Commission to put all these concerns to the Prime Minister of Japan during his forthcoming visit to Europe.

Famine in Africa

1.2.8. The European Council, aware of the critical situation confronting those African countries affected by drought, noted with satisfaction that the objectives of the Dublin plan had been achieved and that 1.2 million tonnes of cereals or their equivalent had finally been mobilized by the Community and the Member States to meet emergency requirements. It also welcomed the fact that two thirds of that aid had already reached the recipients or was *en route*.

It felt, however, that new food aid requirements could arise if the rains which had just started on the continent of Africa were again to be insufficient. In that context it welcomed the Commission proposal for a special reserve allocation which would make it possible to mobilize 500 000 tonnes of cereals equivalent over and above the normal aid programme. The European Council instructed the Council meeting on development to examine that proposal as a matter of urgency.

The Council was aware of the possibility that such disasters might recur and it considered it necessary for the future to set up a general coordinated strategy against short- and long-term drought, and in that context welcomed the Commission communication.

As regards the long term, the Council considered it necessary above all to support the African countries' policy redirection effort in the field of food security. The Council noted that that objective was included in Lomé III and expressed the hope that the Member States would also give priority in their national aid programmes to support for that policy so that together they would achieve the indispensable critical financial mass.

In the field of environmental protection, in particular the battle against desertification, the Council considered it vital, in the light of the importance of present requirements, for all European aid, Community and bilateral, to give priority to that type of action, to give long-term commitments and to organize their contribution coherently by setting up an appropriate coordination structure.

EEC — Comecon

1.2.9. The European Council held an exchange of views on the recent letter from Comecon to the Commission of the European Communities proposing the resumption of their mutual relations. It noted that an exploratory mandate had been given to the Commission. It considers that the results of these contacts should now be awaited.

More generally, the Heads of State or Government also discussed the interest in the political role of the Ten recently demonstrated in statements by the Secretary-General of the CPSU.

They noted these developments with interest.

Statements and comments

1.2.10. Mr Craxi's statement at the end of the European Council was in general terms: 'Today's decision was a difficult and contested one, but it was eventually carried because of the logic of political will and what is possible under the Treaty. We would have preferred a general consensus and unanimity, but these were not to be had. I believe we shall work steadfastly to overcome the obstacles set before us and to achieve the necessary consensus to go forward together towards the objectives of European Union... In Milan new initiatives were born and new impulses are pushing out in different directions and into different fields. The European Council has avoided the dangers of paralysis and regression, and its decisions have not disappointed expectations but have given legitimate grounds for new hopes...'

Mr Delors, replying to journalists' questions, said 'the Commission had proposed a two-stage development, the purpose of the first stage being to achieve objectives on the internal market which would make it possible to reconcile greater involvement by

Parliament in the process of integration and greater effectiveness in decision-making: this proposal was not taken up by the European Council... That is why Mr Craxi decided this morning to call an intergovernmental conference... The Commission endorsed Mr Craxi's initiative entirely, which was the only way to turn the spotlight on the positions of all parties. At least we now know where we stand; if we had waited another year or two to find out, we should not have made any progress...'.

President Mitterrand stated at his final press conference that a 'process of examination' had begun, a vote had been taken clearly pinpointing the approach to be followed and separating those who wanted to move towards closer political union from those who did not. The door was open and the first step had been taken towards what he called the 'moment of truth' or 'confrontation'. Mr Mitterrand also said that he had a number of reasons to be satisfied with this European Council: the adoption of the texts on a technological Europe, the Eureka agreement, the agreement on a people's Europe and the vote on institutional affairs.

'We ... came here with high hopes', said Mrs Thatcher, but 'others' had postponed the progress that could have been made to another conference. According to Mrs Thatcher, the European Council would have been able to take 'practical' decisions itself without the need for an intergovernmental conference. Progress was possible without amending the Treaty; as the present Treaties were still not fully operative they should first be applied in their entirety. Those who were in favour of the conference had procrastinated. In any event, she added, if a vital interest was at stake, either of the United Kingdom or any other country, it must be quite clear that the discussion must be continued until unanimous agreement was reached. The Luxembourg compromise must be respected.

Chancellor Kohl told the press that this European Council had demonstrated the

determination of those who felt that changes to the Treaties were essential if we were to go ahead, even without unanimity at this stage among the Community partners. Having said that, he expressed the hope that the United Kingdom in particular would be able to cooperate in the initiative launched in Milan.

For the Belgian Prime Minister, Mr Martens, the European Council had been a 'turning-point marking the end of Europe's opposition to progress'; the intergovernmental conference should pave the way for the adjustments which would undoubtedly be necessary in a 12-member Community.

The Dutch Prime Minister, Mr Lubbers, said he was disappointed that unanimous agreement on an intergovernmental conference had not been possible. In Mr Lubbers' view the Treaties would in any case have to be amended for practical reasons, such as the completion of the internal market — which would, he said, automatically lead to more jobs in the Community.

During the proceedings Mr González, the Spanish Prime Minister, spoke resolutely in favour of further integration. The Treaty must be respected, first and foremost, but the Chair's proposals for more effective decision-making machinery should be supported too. Mr González condemned abusive recourse to the 'vital interests' clause: he was in favour of a restriction on the right of veto.

The Spanish Prime Minister said he supported the strengthening of political cooperation, but this should not detract from or reduce the role of the Commission. In his view, enlargement proved that the Community, despite the economic and institutional crisis it was going through, had not lost its ability to make decisions.

European Community

NEWS

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MILAN SUMMIT ADVANCES EUREKA PROJECT

The European Council (the ten Heads of State or Government of the European Community) gave its support to the French EUREKA project for creating a technological Europe. An ad hoc committee of Research Ministers and representatives of the EC Commission will meet before July 14 on this question. Progress on completing the internal market and the removal of physical and technical barriers within the Community also was achieved.

By majority decision the European Council called for the convening of a conference to work out the institutional questions of European Union. The Portuguese and Spanish Governments, present at the Summit, will take part in that conference.

The communique adopted by the summit leaders follows:

CONCLUSIONS OF THE EUROPEAN COUNCIL MILAN, JUNE 28-29, 1985

INSTITUTIONAL AFFAIRS

The European Council held a wide-ranging discussion on the proposals of the Ad Hoc Committee for Institutional Affairs set up at Fontainebleau, and the draft mandate of the Italian Presidency and in particular on the improvement of the Council's decision-making procedure, the enlargement of the European Parliament's role, the Commission's administrative powers and the strengthening of political cooperation in the general context of the transition to European union.

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Community in order to give concrete form to the objectives it has set itself, in particular as regards the completion of the internal market by 1992 and measures to promote a technological Europe.

The European Council noted that the President of the Council would submit proposals for the improvement of the Council's decision-making procedure, the exercise of the Commission's administrative powers and the Parliament's powers with a view to their early adoption.

The European Council discussed in detail the convening of a conference to work out the following with a view to achieving concrete progress on European union:

- a treaty on a common foreign and security policy on the basis of the Franco-German and United Kingdom drafts;
- the amendments to the EEC Treaty in accordance with Article 236 of that Treaty, required for the implementation of the institutional changes concerning the Council's decision-making procedure, the Commission's executive power and the powers of the European Parliament and the extension to new spheres of activity in accordance with the proposals of the Dooge Committee (Ad Hoc Committee on Institutional Affairs) and the Adonnino Committee (Ad Hoc Committee on A People's Europe), as set out elsewhere, and taking into account certain aspects of the Commission proposal concerning the freedom of movement of persons.

The President noted that the required majority as laid down in Article 236 of the Treaty had been obtained for the convening of such a Conference. The Portuguese and Spanish Governments would be invited to take part in that Conference. The Belgian, German, French, Irish, Italian, Luxembourg and Netherlands delegations were in favor of holding that Conference.

The Presidency would consequently take the steps necessary to convene that Conference with a view to submitting the results for a decision by the Heads of State and of Government at the European Council meeting in Luxembourg.

A PEOPLE'S EUROPE

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The European Council accepted the suggestions along the same lines contained in the French memorandum on a People's Europe and emphasized in particular the sections of that document concerning young people, culture and health. In this context, the European Council emphasized the value of launching a European action program against cancer.

With regard to the measures contained in the initial report and approved by the European Council in March 1985, the European Council expressed its concern at the delay in implementing them and asked the Council, the member states and the Commission, each acting within its own powers, to take the necessary decisions to remedy this situation as soon as possible.

ECONOMIC AND SOCIAL SITUATION

The European Council discussed the economic and social situation on the basis of two reports submitted by the Presidency on the future of the European Monetary System (EMS) and on the problem of investment and employment in the context of the implementation of the strategy defined in Dublin in December 1984.

As regards the EMS, the Commission was invited to continue its consideration of its development, including the role of the European Currency Unit (ECU), at Council meetings on economic and financial affairs and with the governors of the Central Banks.

As regards short-term economic policy, the Council of Ministers for Economic and Financial Affairs was invited to consider the extent to which the convergence which had already been achieved between the member states in the field of inflation and imbalances made it possible to intensify the battle against unemployment.

On a more general level, the European Council invited the Commission to submit to the European Council meeting in December a detailed report on current inadequacies as regards growth and employment in the European economy compared to that of its major competitors amongst the industrialized countries and on the new strategies that could be implemented to remedy the situation.

COMPLETION OF THE INTERNAL MARKET

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market, submitted at its request by the Commission.

It instructed the Council to initiate a precise program of action, based on the white paper and the conditions on the basis of which customs union had been brought about, with a view to achieving completely and effectively the conditions for a single market in the Community by 1992 at the latest, in accordance with stages fixed in relation to previously determined priorities and a binding timetable.

Progress towards this objective should be both gradual and visible and the European Council therefore requested the Commission to submit its proposals swiftly and the Council to ensure that they were adopted within the deadlines established in the timetable.

The following fields and measures were considered to be of high priority:

- the removal of physical barriers to the free movement of goods within the Community;
- the removal of technical barriers to the free movement of goods within the Community (in particular the adoption of common or compatible standards for major new technologies in order to open up public purchasing and satisfy the needs of the economy);
- the creation of a free market in the financial services and transport sectors;
- the creation of full freedom of establishment for the professions;
- the liberalization of capital movements.

1. In deciding on the above measures the Community will make every effort to ensure that the creation of a single free market contributes to furthering the more general objectives of the Treaty including those of harmonious development and economic convergence.

2. As regards the method: application whenever the situation permits of the principle of the general equivalence of the member states' legislative objectives and of its corollaries; the fixing of minimum standards, mutual recognition and monitoring by the country of origin; an undertaking on the part of the member states not to take measures, throughout the realization of the program, that would have the effect of delaying the Community's achievement of the above objective.

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3. As regards the approximation of the Value Added Tax (VAT) and excise duties, the European Council invited the Council of Ministers for Financial Affairs to examine on the basis of the white paper any measures which might be necessary for the achievement of the objective of a single market and the possible timetable for the application of those measures.

4. The Council of Ministers was asked to study the institutional conditions in which the completion of the internal market could be achieved within the desired time limits.

TECHNOLOGY

The European Council noted that a collective effort to master new technology was a condition for maintaining European competitiveness. It therefore decided to give the Community a new technological dimension.

The European Council approved and endorsed the Commission report on the strengthening of technological cooperation in Europe.

The European Council gave its support to the French EUREKA project for creating a technological Europe and to the Commission's constructive proposals in the same direction, and noted with interest the agreements already signed by several European companies.

It expressed the wish that the EUREKA project should be open to those non-Community countries which had already shown interest in taking part in it. France, the originator of the project, would continue the steps it was taking by convening, in collaboration with the Presidency and the Commission, an ad hoc committee before July 14 to hold a session on European technology. The committee would bring together the Ministers for Research or other qualified representatives of the governments of countries which had responded positively to the initiative and representatives of the Commission.

The European Council considered that these steps should exploit the Community dimension in order to:

- establish a close link between technological development and the effort to unify the internal market, for example by means of practical incentive measures such as the "Eurotype" proposal;
- ensure that the technological effort was closely tied in with common policies, in particular trade policy towards the Community's main partners;
- reduce the risk of unnecessary duplication of national efforts

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and assemble a critical mass of financial and human resources;
- obtain the maximum benefit from the immediately available Community technical and financial instruments, including those of the European Investment Bank.

JAPAN

The European Council examined the question of trade relations with Japan, in particular in the light of the serious concern which the Council had expressed at its meeting on June 19 and which the European Council fully shared.

More particularly, the European Council's discussions were held in the context of the responsibilities which Japan shares with its Western partners for safeguarding and strengthening the system of multilateral trade.

The European Council endorsed the request made by the Council of Ministers that Japan should undertake to increase significantly and continuously its imports of manufactured products and processed agricultural products; it also emphasized the importance of liberalizing Japanese financial markets and internationalizing the yen.

The European Council asked the Commission to put all these concerns to the Prime Minister of Japan during his forthcoming visit to Europe.

FAMINE IN AFRICA

The European Council, aware of the critical situation confronting those African countries affected by drought, noted with satisfaction that the objectives of the Dublin plan had been achieved and that 1.2 million tons of cereals or their equivalent had finally been mobilized by the Community and the member states to meet emergency requirements. It also welcomed the fact that two-thirds of that aid had already reached the recipients or was en route.

It felt, however, that new food aid requirements could arise if the rains which had just started on the continent of Africa were again to be insufficient. In that context it welcomed the Commission proposal for a special reserve allocation which would make it possible to mobilize 500,000 tons of cereals equivalent over and above the normal aid program. The European Council instructed the Council of Ministers meeting on Development to examine that proposal as a matter of urgency.

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recur and it considered it necessary for the future to set up a general coordinated strategy against short- and long-term drought, and in that context welcomed the Commission communication.

As regards the long-term, the Council considered it necessary above all to support the African countries' policy redirection effort in the field of food security. The Council noted that that objective was included in Lome III and expressed the hope that the member states would also give priority in their national aid programs to support the policy so that together they would achieve the indispensable critical financial mass.

In the field of environmental protection, in particular the battle against desertification, the Council considered it vital, in the light of the importance of present requirements, for all European aid, Community and bilateral, to give priority to that type of action, to give long-term commitments and to organize their contributions coherently by setting up an appropriate coordination structure.

E.C. - COMECON

The European Council held an exchange of views on the recent letter from COMECON (Council for Mutual Economic Assistance) to the E.C. Commission proposing the resumption of their mutual relations. It noted that an exploratory mandate had been given to the Commission. It considers that the results of these contacts should now be awaited.

More generally, the Heads of State or Government also discussed the interest in the political role of the Ten recently demonstrated in statements by the Secretary-General of the CPSU (Communist Party of the Soviet Union).

They noted these developments with interest.