

THE EUROPEAN COUNCIL

**BRUSSELS
11-13 FEBRUARY 1988**

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) regions¹ 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 inter-

vention 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 prices² 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.

Bull. EC 2-1988

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.

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 arrangements¹ 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 1984² 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 1987³ 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.

and will also consider the external aspects and take market requirements into account.

At the same time, the Commission proposal to restrict the premium to a specified number of ewes will also be examined in this context.

Annex II

Withdrawal of land (set-aside)

The European Council agrees to adopt provisions to limit supply by withdrawing agricultural land from production.

The set-aside programme will be designed as follows:

1. The measures will be devised as a complement to market policy measures.
2. They will be compulsory for the Member State but optional for producers.
3. Regional exceptions to compulsory application will be possible for certain regions in which natural conditions or the danger of depopulation militate against a reduction in production. In the case of Spain, the exceptions may also relate on the basis of objective criteria to specific socio-economic circumstances, pursuant to the relevant Community procedures. In Portugal application of the set-aside arrangements will be optional during the transitional period.
4. The set-aside period is to be at least five years. Farmers will be given the possibility of termination after a minimum period of three years.
5. The set-aside is to be at least 20% of arable land used for cultivating products covered by a common market organization.
6. The premiums per hectare for areas set aside should compensate for the income lost by farmers.
7. The minimum level of the premium will be 100 ECU/ha and the maximum level 600 ECU/ha. With the Commission's agreement this premium may amount to 700 ECU/ha in exceptional cases.
8. Farmers setting aside 30% of their land will, in addition to the premium, be exempted from the basic and additional co-responsibility levy for 20 tonnes of cereals marketed.
9. The Community contribution to the premiums will be as follows:
for the first 200 ECU: 50%,
from 200 to 400 ECU: 25%,
from 400 to 600 ECU: 15%.

10. Member States may allow farmers the possibility of:

- (i) using the areas set aside in the form of fallow grazing by means of extensive cattle farming, and
- (ii) converting production to lentils, chick peas and vetch;

the conditions for both measures have yet to be laid down.

The premiums will amount to approximately 50% of the amount granted for complete set-aside. The Community contribution to the premiums will be as follows:

- for the first 100 ECU: 50%,
from 100 to 200 ECU: 25%,
from 200 to 300 ECU: 15%.

The possibility of allowing fallow grazing and conversion will be introduced on a trial basis for three years. Within that time the Commission will report to the Council and submit any appropriate proposals.

11. The Community contribution will be financed 50% from the EAGGF Guarantee Section and 50% from the EAGGF Guidance Section.

Annex III

Cessation of farming (early retirement) and aids to incomes

1. The European Council agrees to introduce optional Community arrangements for promoting the cessation of farming (early retirement). It calls on the Council to take the necessary decisions on the basis of the Commission proposals together with the decisions on stabilizers and on set-aside by 1 April 1988.
2. As regards aids to incomes, the European Council refers to its conclusions of June 1987 and calls on the Council to take a decision on the matter by 1 July 1988.

Annex IV

A. Declaration of the European Council concerning Portugal

The European Council recognizes the special nature of the problems of Portuguese agriculture, which was acknowledged in the Act of Accession,

and agrees that the application of the stabilization mechanisms will have to make allowance for this.

The European Council recognizes that the adjustments of the CAP which are in progress are going to create unforeseen difficulties which will make it necessary to strengthen the transitional arrangements contained in the Act of Accession, notably with regard to time limits, support and modernization.

The European Council asks the Commission to submit proposals which take the special nature of those problems into consideration and ensure that applying the stabilization mechanisms does not give rise to difficulties in achieving the harmonious integration of Portuguese agriculture into the Community as a whole, as provided for in the Act of Accession.

The Council will decide on the basis of Commission proposals before 1 April 1988.

B. Utilization of agricultural commodities in the non-food sector

The European Council requests the Commission to investigate all possibilities of increasing the utilization of agricultural commodities in the non-food sector and to submit proposals to that effect. The Commission will set priorities in this respect.

C. Trade policy aspects

The European Council requests the Commission to ensure, in the context of the Uruguay Round and having regard to the provisions of the GATT, that the Community's measures with respect to prices and quantities are taken into due consideration, and to insist that an appropriate solution should be found to problems arising in connection with imports of cereal substitutes, oilseeds and protein plants into the Community.

D. Interprofessional cooperation

The European Council takes note of the Commission's intention to draw up a report on inter-professional cooperation and to submit conclusions to the Council before 1 July 1988.

Annex V

Statement by the European Council

The European Council recalls the conclusions adopted by the OECD¹ and the Venice Summit²

on the need for a better adjustment of supply to demand through measures to enable the market to play a greater role.

It considers that the arrangements in force since 1984, and those it is adopting to control agricultural production and expenditure, meet these commitments and will achieve their full effect only if other world producers apply equivalent discipline.

It confirms in this respect the negotiating brief adopted by the Community under the Uruguay Round.

If this discipline were not shared, or if a non-member country failed to meet its international commitments and this caused serious repercussions on world markets, this situation would be regarded by the Council, on a proposal from the Commission, as justifying recourse to the provisions of the Treaty and in particular Articles 43, 113 and 203.

Statements concerning European Council conclusions

1.1.2. The Commission and certain Member States made statements designed respectively to clarify and qualify certain conclusions of the European Council.

Commission statements

Structural Funds

1.1.3. The Commission declares that national per capita GNP is a criterion which must be considered along with regional GNP in determining the least prosperous regions for which a special effort is to be made, and that Ireland will be included in the list.

Agricultural stabilizers

Annex I, point 2(f)

1.1.4. The Commission declares that it is considering exactly how the measure in favour of small producers referred to at (f) should be implemented.

¹ Bull. EC 5-1987, point 2.2.42.

² Bull. EC 6-1987, points 1.2.1 to 1.2.10 and 3.7.1 to 3.7.39.

Annex I, point 2(i)

1.1.5. The Commission declares that its proposal will mean a price reduction of about 2%.

Set-aside

1.1.6. Acting within its terms of reference, the Commission will ensure that the appropriations for financing the set-aside programme are increased as necessary within the ceiling.

Price stabilizers for oils and fats

1.1.7. As provided in the Act of Accession of Spain and Portugal, the Commission has presented the Council with proposals to amend the existing legislation in the oils and fats sector, including that on price stabilizers.

As requested by the Council on 30 June 1987,¹ this last proposal² has been studied further and the Community's principal trading partners have been consulted.³

The Commission will continue to study:

- (i) the connection between this proposal and any repercussions at international level, particularly in GATT;
- (ii) the adjustment of all the common market organizations for vegetable oils and fats.

If necessary, it will present suitable proposals in the light of its findings.

*Statement by national delegations***Annexes I (point 2),
IV (B to D) and V**

1.1.8. The Italian, Netherlands and United Kingdom delegations declare that they will not be bound by a protectionist interpretation of this text.

**Joint statement by the
Commission and Parliament**

1.1.9. On 13 February, at the close of the European Council, the Commission and the European Parliament issued a joint statement appraising the outcome:

'The President of Parliament, Lord Plumb, and the Chairmen of the political groups today met President Jacques Delors and several Members of the Commission in order to appraise the results of the Brussels European Council.

They welcomed the success of this summit meeting, which is due in large part to the close collaboration between the Commission and Parliament.

They stressed the positive points in the conclusions reached by the Heads of State or Government, in particular the massive boost for the structural Funds and the balanced 'agricultural package'.

The Commission confirmed that Parliament would be asked to debate finalization of an interinstitutional agreement to cover future expenditure under the Community budget.

The Commission would lend its efforts to facilitating a constructive dialogue between the two arms of the budgetary authority.

The Commission and Parliament declared they were ready to act upon the European Council's conclusions at once.'

A new boost for the Community

1.1.10. This joint endorsement by the Commission and Parliament of the agreement reached by the European Council stems from their conviction that it was achieved without watering down or impairing the coherence of the Commission's proposals as a whole.

¹ Bull. EC 6-1987, point 1.3.1.

² OJ C 89, 3.4.1987; Bull. EC 2-1987, points 1.2.14 and 1.2.15.

³ Bull. EC 11-1987, point 2.1.183.

Table 1 — *Comparison between the Commission's proposals and the European Council's conclusions*

Commission's proposals ¹	European Council's conclusions
A. Common agricultural policy	
1. Adapting the CAP to the world context	
(a) Production stabilizers to adapt supply to demand.	Stabilizers principle fully adopted. Close approximation both on penalties and on quantitative levels.
(b) Price adjustments to farmers based on production levels.	Principle of automatic price adjustment adopted. European Council adopted cumulative price reductions for cereals where Commission proposed non-cumulative reductions.
(c) Overall ceiling on costs. Level: 27 000 million ECU with 2 months for payment of advances (with oils and fats tax). Slope: 100% of GNP growth including stock depreciation.	27 500 million ECU with 2½ months for payment of advances (no oils and fats tax in 1988/89). 80% of GNP growth without stock depreciation, but including part of set-aside programme. Thus 74% effectively.
(d) Depreciation of both old and newly formed stocks; inside guideline.	Adopted. Old stocks 6 800 million ECU outside guideline over 5 years. New stocks inside guideline.
(e) Monetary reserve.	Adopted as modified by the Commission.
2. Maintaining rural development and small farming	
(a) Income support for small farmers.	Adopted with financial provisions (Council Regulation before 1 July 1988).
(b) Substantial growth in EAGGF Guidance.	Adopted (see structural Funds below).
(c) Set-aside programme.	Adopted in addition to initial Commission proposals.
B. Structural Funds with real economic impact	
1. Rationalization of operations targeted to five major objectives.	Adopted.
2. Concentration on less favoured regions.	Adopted and reinforced.
3. Change from nationally administered projects to programmes based on a partnership between Commission, Member States and regions.	Adopted.
4. Doubling of funding 1987 to 1992.	Adopted but extended to 1993.

Commission's proposals ¹	European Council's conclusions
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C. Sufficient, stable and guaranteed finance

<ol style="list-style-type: none"> 1. Overall ceiling: 1.4% of GNP for commitments implying 1.3% of GNP for payments including UK abatement and EDF (0.11% of GNP). 2. Structure of revenue: 1.0% VAT + non-VAT part of GNP (additional base) (→ point 1.1.11). 3. Abolition of 10% collection costs for traditional own resources. 	<p>1.3% of GNP for commitments, 1.2% of GNP for payments without UK abatement and EDF, i.e. comparable to proposal.</p> <p>1.4% VAT + full GNP, i.e. same principle of proportionality with relative wealth but less redistributive effect. Special provisions for high-consumption, low-income Member States (→ point 1.1.11).</p> <p>Rejected, but collection costs deducted from revenue, meaning they will not affect expenditure ceiling.</p>
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D. Budgetary discipline and budget management

<ol style="list-style-type: none"> 1. Agricultural guideline with solid instruments to implement it. 2. Improving the budget procedure <ol style="list-style-type: none"> (a) Annual ceilings (b) Financial perspectives (c) Interinstitutional agreement. 3. General revision of budget management rules. 4. Improving budget execution. 	<p>Adopted.</p> <p>Adoption of financial perspectives. Choice between:</p> <ol style="list-style-type: none"> (i) Council-Parliament agreement on budgetary discipline and financial perspectives covering annual expenditure for five years; and (ii) unilateral Council decision on budgetary discipline with annual ceiling. <p>Adopted.</p> <p>Reinforced principle of annuality (limited carry-overs from year to year). Agreement to revise the Financial Regulation before year-end.</p> <p>Commission's responsibility.</p>
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E. Budgetary imbalance

<ol style="list-style-type: none"> 1. UK compensation General equivalence based on green key taking account of fourth resource. 2. Finance key According to relative prosperity. 	<p>Equivalence based on modified Fontainebleau mechanism taking account of fourth resource.</p> <p>According to GNP with special provisions for Germany, Spain and Portugal.</p>
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¹ Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

1.1.11. The present structure of resources and the changes proposed by the Com-

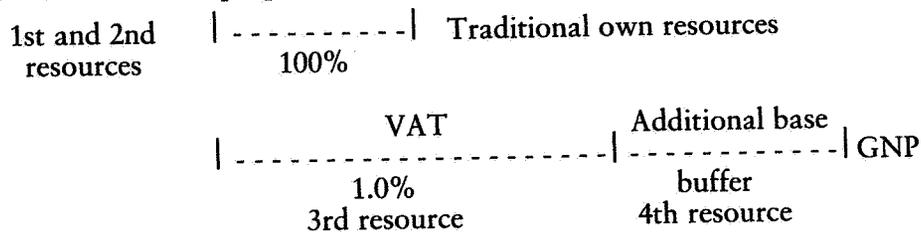
mission and adopted by the European Council are shown in Table 2.

Table 2 — *Changes to structure of resources*

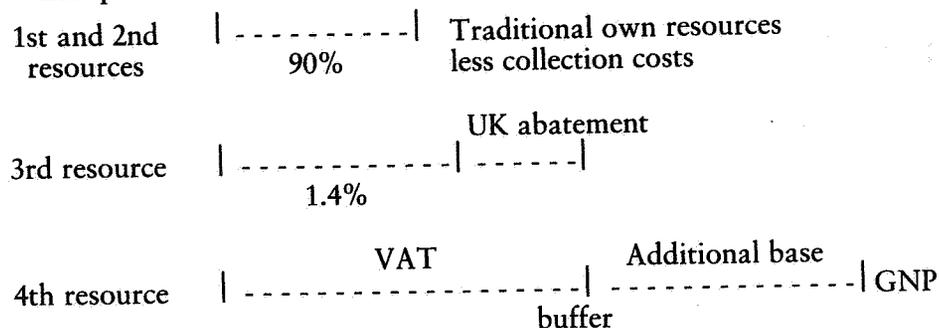
Present system (VAT ceiling)	Commission proposal (GNP ceiling)	European Council's conclusions (GNP ceiling)
<p>(a) Traditional own resources (about one third of total resources)</p> <ul style="list-style-type: none"> (i) agricultural levies (ii) customs duties <p>(b) VAT: Nominally 1.4% but effectively about 1.25% because UK abatement is financed within the VAT ceiling. Revenue depressive in that high-consumption, low-income Member States pay relatively more</p>	<p>(a) Traditional own resources</p> <p>(b) 1% VAT effectively</p> <p>(c) Additional base equal to difference between GNP and VAT Similar to proportional revenue structure in that when the call-in rate on the additional base approaches 1% the third and fourth resources taken together become GNP finance</p>	<p>(a) Traditional own resources (less 10% collection costs)</p> <p>(b) 1.4% VAT, but including UK abatement; hence effective rate of about 1.25% VAT</p> <p>(c) GNP: This implies less proportionality than the Commission's proposal in that VAT is included twice (first as VAT, second as a component of GNP). Therefore:</p> <p>(d) Special provision for high-consumption, low-income Member States. For those Member States whose VAT constitutes more than 55% of GNP, the VAT base is reduced to 55% of GNP and the uniform VAT rate is applied to the reduced base only. The effect of the special provision is to limit the impact of the VAT resource at Community level and consequently to increase the impact of the GNP resource</p>

The new structure can also be illustrated as follows:

1. Commission's proposal

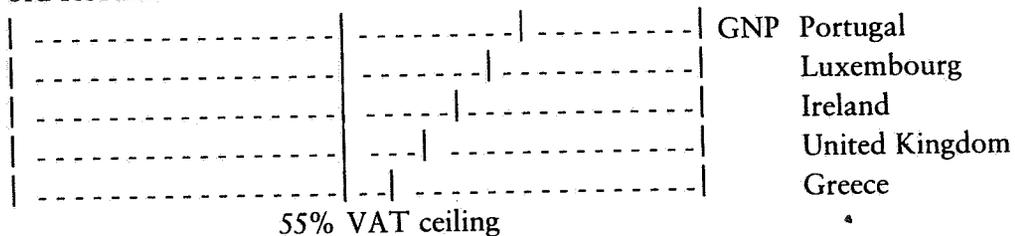


2. European Council's conclusions



Special provision (55% ceiling on VAT) for high-consumption, low-income Member States

3rd resource:



NB

The benefit to the UK of imposing the ceiling will be reflected in a reduction in the UK abatement. The net effect will be zero.

The reduction in revenue from the 3rd resource (VAT) to the Community will increase the total contribution from the 4th resource (GNP).

No. 5/88
February 18, 1988

Contact: Giancarlo Chevallard
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E.C. SUMMIT LEADERS AGREE ON MAJOR BUDGET AND AGRICULTURE MEASURES

European Community summit leaders last week approved major budget-reform measures, including strict controls on agricultural spending. They adopted the Delors Plan, proposed last year by E.C. Commission President Jacques Delors, with the aim of realizing a "Europe without borders"--a single market of 320 million consumers--by 1992.

"Our negotiations with each other were difficult, but we have achieved a result that will move Europe ahead," Helmut Kohl, Chancellor of the Federal Republic of Germany, said following the summit. Germany currently holds the E.C. Presidency.

The 12 E.C. Heads of State or Government (European Council), meeting February 11-13 in Brussels, agreed on the following measures effective through 1992:

--An overall budget ceiling based on the Community's Gross National Product. This replaces a system of ceilings based on an assessment of goods and services subject to Value Added Tax (VAT). The new formula will allow the budget to grow from 44.1 billion European Currency Units (ECU)* in 1988 to an estimated 52.7 billion ECU in 1992.

* ECU=\$1.21 on February 8, 1988

.../...

--Automatic price cuts when production of grains, oilseeds and other products exceeds specified ceilings. Grain farmers will also be subject to a "coresponsibility levy," or tax, if they exceed the ceiling.

--A limit to the annual rate of agricultural spending growth--it must not exceed 74 percent of the increase in the Community's GNP.

--A land set-aside program and early-retirement incentives for farmers.

--A doubling of "structural funds"--economic development assistance--by 1993, with an increased emphasis on the Community's less prosperous regions and special funds for Portugal.

--Continuation of the United Kingdom's budget rebate.

The European Council's communiqué follows.

CONCLUSIONS OF THE EUROPEAN COUNCIL

BRUSSELS, FEBRUARY 11-13, 1988

OVERALL COMPROMISE

European unity has received fresh impetus from the entry into force of the Single Act. The completion of the internal market will release growth potential necessary for European competitiveness and for the economic and social cohesion of the Member States.

Accordingly, the Community's ability to act must be strengthened. (A separate) document contains a summary text of the conclusions. These conclusions will be deemed to be adopted in connection with the agreement of the European Council on the overall compromise.... For two delegations, their agreement with regard to the implementation of the overall compromise will be made effective when the General Affairs Council has confirmed these conclusions. (The document containing the conclusions will be made public after the Council of Ministers meeting on February 22, 1988.)

A. STRUCTURAL FUNDS

FUNDING AND GEOGRAPHICAL CONCENTRATION

The European Council confirms the decisions taken on June 29 and 30, 1987. 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 (7.4 billion ECU), commitment appropriations will increase by 400 million ECU in 1988 and by 1.3 billion ECU each year from 1989 to 1992, representing 13 billion ECU in 1992. These amounts include the special heading referred to below (special budgetary expenditure, Portugal). The effort will be continued in 1993 in order to achieve doubling. The structural funds' contributions 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.

B. BUDGETARY DISCIPLINE

1. BUDGET DISCIPLINE IN AGRICULTURE

- (a) The reference basis for 1988 will be set at 27.5 billion ECU. The annual rate of increase in European Agricultural Guidance and Guarantee Fund (EAGGF) Guarantee Section expenditure must not exceed 80 percent of GNP growth, adjusted by an amount of 200 million ECU corresponding to the financing of set-aside, i.e. approximately 74 percent. Depreciation of existing surplus stocks will be financed outside the agricultural guideline. The period for payment of advances to the Member States by the Commission will be extended from two to two-and-a-half months.
- (b) Special provisions concerning the contribution of Spain and Portugal to the financing of stock depreciation: for the purposes of their financial contribution to stock depreciation Spain and Portugal will be treated as if such depreciation had been fully financed by the Community in 1987.
- (c) Monetary Reserve.**
- (d) Statement (See Annex 1).

2. BUDGET DISCIPLINE IN THE FIELD OF NONCOMPULSORY EXPENDITURE

- (a) Budget discipline in the field on noncompulsory expenditure will be applied in conformity with the principles set out in the conclusions of the Brussels European Council (June 29-30, 1987) 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 bodies which will be associated with its implementation."

*Greece, Portugal, Southern Italy, about three-fourths of Spain, and France's overseas departments.

**1 billion ECU for adjustments related to changes in the ECU/dollar exchange rate.

- (b) The Council of Ministers' 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 (a) above and at the same time as the new own resources decision.

C. OWN RESOURCES*

1. OVERALL CEILINGS

The overall ceiling of own resources will be set at 1.2 percent of total Community GNP for payment appropriations. A ceiling of 1.3 percent total Community GNP shall be set for commitment appropriations.

2. THIRD AND FOURTH RESOURCES

- The third resource will be constituted by Value Added Tax (VAT) for a 1.4 percent rate of payment.

- The fourth resource will be constituted by a GNP scale with a VAT assessment basis leveled off at 55 percent of GNP. It is assumed that the United Kingdom's compensatory payments will be dealt with in accordance with the present method, i.e. by charging against VAT payments.

3. COLLECTION COSTS

When transferring traditional own resources Member States will withhold 10 percent to cover collection costs.

D. AGRICULTURAL STABILIZERS

1. CEREALS

- (a) The guarantee threshold will be set at 160 million metric tons for the marketing years 1988-89, 1989-90, 1990-91, 1991-92.
- (b) At the beginning of each marketing year an additional coresponsibility levy (CL) of 3 percent 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 percent, 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 percent per year.

*"Own resources" refer to E.C. revenue sources. The first, second and third resources involve, respectively, customs duties, agriculture levies and a proportion of VAT collected in the member states.

- (e) The basic CL (currently 3 percent) and the additional CL will be paid by the first buyer.
- (f) Small producers will be exempted from the basic and from the additional coresponsibility levy, 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 European Council requests the Commission to reexamine 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 supplements as part of its next farm price proposals.
- (h) The European 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.

2. OILSEEDS AND PROTEIN PRODUCTS

- (a) The annual guarantee thresholds for the marketing years 1988-89, 1989-90 and 1990-91 will be fixed as follows:

- Colza	4.5 million metric tons (Community of 10)*
- Sunflower Seed	2.0 million metric tons (Community of 10)*
- Soya	1.3 million metric tons (Community of 12)
- Protein Products	3.5 million metric tons (Community of 12)

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

- August 31	for Colza
- September 30	for Sunflower Seed
- October 31	for Soya
- August 31	for Protein Products

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

* A corresponding adjustment in the guarantee thresholds for Colza and Sunflower Seed is provided for in the case of Spain and Portugal.

** For Colza, Rape and Sunflower Seed: Guide Price
For Soya Beans: Target Price
For Peas and Field Beans:
. Foodstuffs: Minimum Price, Target Price
. Feedingstuffs: Minimum Price, Activating Price

3. WITHDRAWAL OF LAND (SET-ASIDE)

The European Council agrees to accept a mechanism for limiting supply by withdrawing agricultural land from production. This will complement the other stabilizers. Application will be compulsory for the Member States, but optional for producers. Regional exceptions to compulsory application will be possible.

In order to qualify, a producer must set aside at least 20 percent of his arable land for at least five years. A producer who sets aside at least 30 percent will, in addition to the premium, be exempted from the coresponsibility levy for 20 metric tons of cereals marketed by him. The minimum premium will be 100 ECU/hectare and the maximum 600 ECU/hectare.

The Community contribution will be 50 percent for the first 200 ECU, 25 percent if the arable land is used for fallow grazing or converted to certain types of protein plant production. The premium will be approximately 50 percent of the amount granted for complete set-aside. The Community contribution will be financed 50 percent from the EAGGF Guarantee Section and 50 percent from the EAGGF Guidance Section.

4. CESSATION OF FARMING (EARLY RETIREMENT) AND AIDS TO INCOMES

- (a) The European Council agrees to introduce optional Community arrangements for promoting the cessation of farming (early retirement). It calls on the Council of Ministers to take the necessary decisions on the basis of Commission proposals together with the decisions on stabilizers and those on set-aside by April 1, 1988.
- (b) As regards aids to incomes, the European Council refers to its conclusions of June 1987 and calls on the Council to take a decision on the matter by July 1, 1988.

E. SPECIAL BUDGETARY PROVISIONS

Two special budgetary hearings 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) Program for the Modernization of Portuguese Industry. Together with the Portuguese authorities, the Commission has drawn up a modernization program covering a period of five years as from 1988 for a total amount of 1 billion ECU. A special heading will be created for the additional part of this program, i.e. 100 million ECU per year for five years (see paragraph on structural funds).

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F. BUDGET ESTIMATES FOR 1992 (COMMITMENTS) IN BILLION ECU (1988 PRICES)

	1988	1992
EAGGF Guarantee Section	27.5	29.6
Financing of Destocking Measures	1.2	1.4
Set-Aside/Aids to Income	0	0.5
Structural Funds	7.8	13.0
Including European Portugal		
Industrial Development Program	0.1	0.1
Policies with Multiannual Allocations (Research - Integrated Mediterranean Programs)	1.4	2.4
Other Policies	1.7	2.8
Reimbursements and Administration	3.5	2.0
Monetary Reserve	1.0	1.0
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	44.1	52.7

G. ADJUSTMENT OF BUDGETARY IMBALANCES

The European Council conclusions of June 25 and 26, 1984, on the correction of budgetary imbalances remain applicable for as long as the new decisions 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 percent. The following modifications are to be made:

- (a) The VAT share shall be replaced by the United Kingdom's share of payments under the third and fourth resources.
- (b) 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 (a), will be offset by an adjustment to the compensation in respect of that year.
- (c) 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 in accordance with the abatement foreseen in Articles 187 and 374 of the Treaty 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.

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H. STATEMENTS

The Statements given in Annexes I - III are adopted.

ANNEX I

EUROPEAN COUNCIL STATEMENT

The European Council would give a reminder of the conclusions adopted by the Organization for Economic Cooperation and Development (OECD) and the Venice Summit on the need for a better adjustment of supply to demand through measures to enable the market to play a greater role.

It considers that the arrangements in force since 1984, and those it is adopting to control production and agricultural expenditure, meet these commitments and will achieve their full effect only if other world producers apply equivalent discipline.

It confirms in this respect the negotiating directives adopted by the Community under the Uruguay Round.

If this discipline were not observed all round, or if a third country failed to meet its international commitments and this caused serious repercussions on world markets, this situation would be regarded by the Council, on a proposal from the Commission, as justifying recourse to the provisions of the treaty and in particular articles 43, 113, and 203.

* * *

ANNEX II

EUROPEAN COUNCIL STATEMENTS ON AGRICULTURAL POLICY

Utilization of agricultural commodities in the nonfood sector

The European Council requests the Commission to investigate all possibilities of increasing the utilization of agricultural commodities in the nonfood sector and to submit proposals to that effect.

The Commission will set priorities in this respect.

Trade policy aspects

The European Council calls upon the Commission to ensure, in the context of the Uruguay Round and having regard to the provisions of the GATT, that the Community's measures with respect to prices and quantities are given due consideration, and to press for an appropriate solution to the problems arising in connection with imports of cereal substitutes, oilseeds and protein plants into the Community.

Interprofessional cooperation

The European Council takes note of the Commission's intention to draw up a report on interprofessional cooperation and to submit conclusions to the Council by July 1, 1988.

* * *

ANNEX III

EUROPEAN COUNCIL STATEMENT ON THE 1988 BUDGET

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 decisions enter 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 nonrepayable advances of payments due after entry into force of the own resources decision. This will be brought about according to the appropriate national procedures.

Brussels, 13 February 1988.

EUROPEAN COUNCIL 11 - 13 FEBRUARY 1988

At approximately 2 AM, the European Council adopted an overall compromise on the "Delors package".

1) Joint Council Presidency/Commission Press Conference

Chancellor Kohl welcomed this compromise - after two days of very tough negotiations - and highlighted the "superhuman" efforts made by President Delors to secure this outcome (during their press briefings, a number of delegations - notably the Italians - also stressed the vital role played by the President of the Commission).

"We can now do what needs to be done to complete the large frontier-free market" said Mr Kohl. "The Hannover European Council in June will concentrate on that". There was now a solid basis for financing the Community in general and the structural Funds in particular which would be almost doubled between now and 1992 and be focused on the poorest regions. As far as agriculture was concerned, positive prospects and guidelines had emerged for the rural Community. The mistakes of the past had been corrected.

Many obstacles would have to be overcome between now and 1992 if the Community was to meet the challenge it had set itself. But there was no alternative to a genuine European Union.

The European Community entailing economic, social and political integration was vital if Europe was to speak with a single voice.

Germany had made a big sacrifice ; its additional contribution would rise from DM 4 000 million this year to DM 10 000 million in 1992. German farmers would be the first to be affected but the set-aside scheme was a sound ecological solution and less costly than surpluses.

All in all, he said, reason and good sense had prevailed.

President Delors then has this to say about the outcome of the Summit : "A year ago, on 15 February 1987, the Commission adopted a comprehensive package for making a success of the Single European Act. Today, 13 February 1988, the European Council has endorsed the package leaving its philosophy, coherence and means of action intact.

"The Brussels European Council has taken a sound decision.

This confirms the movement begun with the setting of the 1992 deadline and adoption of the Single European Act, the Institutional and political instrument for revitalizing Europe. It is a message of encouragement, confidence and hope for the people of Europe.

The Community can now work towards the ambitious objectives enshrined in the Single Act. It has been given the political, economic and financial resources, for tighter discipline and increased cohesion.

This success owes much to the successive Presidencies of Mr Martens, Mr Schlüter and Mr Kohl. I would like to pay particular tribute to the key role played by Mr Kohl in recent months and to Mr Genscher's contribution too. We also owe a lot to Parliament which has backed us all the way, especially in the person of Lord Plumb, a tireless supporter of the Commission.

My colleagues directly involved in this venture - Mr Natali, Mr Andriessen, Mr Christophersen and Mr Varfis and the Commission as a whole have acted as a united singleminded team that too helped to produce a successful outcome, covering twelve months of hard work.

We now have strict agricultural discipline, first introduced many months ago, which makes many demands on Europe's farmers, but which allows for the diversity of European agriculture, preserving small farms and facilitating rural development.

We now have Community policies with real economic bite. The aims proposed by the Commission have been endorsed and resources amounting to a doubling by 1993 have been made available.

And we are now assured of adequate own resources, notably thanks to the fourth resource.

Last but not least, budgetary discipline has been tightened thereby allowing the Commission, as the steward of public funds, to assume its responsibilities.

European recovery is back on course. Four months of the German Presidency remain. We have high hopes for progress between now and the end of June on the large frontier-free market, Community research and monetary cooperation. And Europe will be able to speak with a single voice at the OECD meeting in May and the Western Economic Summit in Toronto in June.

2. Main features of the agreement

a) Structural Funds : the 1987 endowment is to be doubled by 1993. Appropriations will increase by 400 million ECU in 1988 and by 1 300 million ECU each year from 1989 to 1992, giving a figure of 13 000 million ECU in 1992. A further effort will be made in 1993 to achieve the final target. Contributions to structurally backward regions (Objective No 1) will be doubled by 1992.

b) Budgetary discipline :

- the reference basis for agricultural spending in 1988 will be 27 500 ECU ; the annual rate of increase in EAGGF Guarantee Section expenditure must not exceed 80 % of GNP growth ;
- as far as their contribution to stock depreciation is concerned, Spain and Portugal will be treated as if depreciation had been fully financed by the Community in 1987 ;
- budget and discipline will be applied to non-compulsory expenditure in line with the principles set out in the conclusions of the Brussels European Council of June 1987.

- c) Own resources : the overall ceiling is set at 1.2 % of total Community GNP for payment appropriations and 1.3 % for commitment appropriations. The call-in rate for VAT will be 1.4 %, VAT bases being limited to 55 % of GNP. The Member States will withhold 10 % of traditional own resources to cover collection costs.
- d) Agricultural stabilizers :
- For cereals, the guarantee threshold is set at 160 million tonnes. If the threshold is overshoot, the intervention prices will be reduced by 3 % each year. Small producers will be exempted from the co-responsibility levies. The Commission has been asked to re-examine the operation of the intervention system.
 - For oilseeds and protein products, the annual guarantee thresholds are as follows : colza - 4.5 million tonnes (Community of Ten) ; sunflower seed - 2 million tonnes (Community of Ten) ; soya - 1.3 million tonnes (Community of Twelve) ; protein products - 3.5 million tonnes (Community of Twelve) with a 0.45 % reduction for each 1 % overshoot for the first marketing year (1988/89) and a 0.5 % reduction for each 1 % overshoot for subsequent marketing years.
- e) Set-aside : the scheme proposed by the Commission
- f) Early retirement : the European Council has asked the Council (of Agriculture Ministers) to take the necessary decisions by 1 April.
- g) Income aids : the Council (of Agriculture Ministers) is to take a decision by 1 July.
- h) Community aid for (f) and (g) is not to exceed 600 million ECU in 1992.
- i) Modernization of Portuguese Industry (PEDIP) : a special heading is to be inserted in the budget (100 million ECU a year for five years).
- j) Budget estimates : 1988 - 44 200 million ECU ; 1992 - 52 700 million ECU (i.e. 1.28 % of GNP).
- k) Compensation for the United Kingdom : the Fontainebleau mechanism adjusted by introduction of the fourth resource ; Germany's contribution is reduced by a third and the Spanish and Portuguese contributions by a half.
- l) The European Council referred to the conclusions adopted by the OECD and the Venice Summit in 1987 on the need to control world agricultural production. It requested the Commission to investigate the possibility of increasing the utilization of agricultural commodities in the non-food sector. It also agreed on arrangements for non-repayable advances by the Member States to finance the 1988 budget.

3) Press conference given by Mr Andriessen, Mr Christophersen and Mr Varfis

The day after the European Council, three Members of the Commission stressed the following points :

a) Mr Andriessen said that the decisions taken would allow the Community to press ahead with the reform of the Common agricultural policy begun in 1985, thanks to measures linking prices to production (in the event of an overshoot, prices will fall), structural measures, income aids for the poorest farmers and the set-aside scheme which supplements the stabilizers. The Community had taken steps to control supply. Attention must now focus on demand, that is to say the use of agricultural commodities in the non-food sector.

b) Mr Varfis said that doubling of the Funds was now a certainty for 1993 - or 1992 for structurally backward regions - with 13 000 million ECU. To this must be added specific entries for the set-aside scheme and income aids, giving a total of 13 700 million ECU. On top of this came a special contribution for the modernization of Portuguese industry (PEDIP). These substantial increases were immensurate with what was needed to complete the large frontier-free market.

c) Mr Christophersen noted that the overall ceiling set was 1.3 % of GNP for commitment appropriations in 1992, and 1.2 % for payment appropriations. The Commission had asked for 1.4 % but allowance had to be made for two major factors :

- compensation for the United Kingdom, which represented 0.03 % of GNP, had been removed from the budget,

- the EDF, which represented 0.08 % of GNP, was also outside the budget, all in all then, with a ceiling of 1.2 % on GNP on payment appropriations, the Commission had got what it wanted, given the time lag between commitments and payments.

As far as the 1988 budget was concerned, the Commission would be adopting a letter of amendment the following Wednesday to accommodate the increase in the structural Funds. This would be discussed by the Council on 23 February and given a first reading by Parliament in April. The Council would reconsider the letter of amendment in April and Parliament would give it a second reading in May. This meant that the 1988 budget would be adopted by the end of May. "We can live with that" said Mr Christophersen.

11.2.1988

**STATEMENT BY LORD PLUMB, PRESIDENT OF THE EUROPEAN PARLIAMENT,
BRUSSELS 11th FEBRUARY 1988**

I have just spoken, on behalf of the European Parliament, to the Heads of State and Government. This is the third time that I have represented the views of the European Parliament in this way at a European Summit. I also attended the Conclave of Foreign Ministers on the 1st February in Brussels, and spoke in a broadly similar vein.

I feel like the spokesman of the majority shareholders faced with a Board of Directors who are not delivering the goods.

We all know the problems facing the European Community. In simple terms, these are as follows:

- (i) there is no budget this year and no agreement on future financing for the European Community. This would be an untenable position for any organisation, public or private. To use my earlier analogy, the shareholders would by now have sacked the Board of Directors.
- (ii) the lack of rigorous budgetary control on Community expenditure.
- (iii) the CAP - as currently operated - has become a liability: it must be disciplined and converted back into an asset for the sake of both the farmer and the consumer. And we must not forget the implications for the Third World producers.
- (iv) the other Community policies must have the necessary resources to be implemented properly. They are the Cinderellas of the Community budget. The Social, Regional and other policies are being marginalised and rendered ineffective. It is particularly important that, in creating a Single Market, we ensure that the prosperity this will create should be spread throughout the regions of Europe. The funds should be substantially strengthened - and I mean doubled.
- (v) the Parliament is often criticised by the public over the CAP surpluses but it has no power to control the expenditure which arises from those surpluses. It should have that power.

We are in a difficult and dangerous situation. Member State governments do not appear to be listening to the clear message that the European Parliament has now been putting across ever since our timely response to the Delors

There will, I believe, be trouble in the months ahead if the Council conclude that the Treaty responsibilities of the democratically elected Parliament are to be ignored. I hope the next few hours will show the importance of being earnest and honest about the problems facing us.

We need agreement by tomorrow on all the issues I raised in the meeting just now. I will be meeting with European Parliament group leaders and the European Commission on Saturday morning to assess the situation after the conclusion of this special Summit.