

EUROPEAN COUNCIL

Brussels, 29 and 30 March 1985

DRAFT
CONCLUSIONS

ENLARGEMENT

The European Council noted with great satisfaction that the essential points in the accession negotiations with Spain and Portugal have now been settled, as a result, in particular, of the considerable effort made by all parties in the week leading up to the European Council resulting in solutions to the key issues of fisheries, agriculture, social affairs and the own resources system.

The European Council called upon the Community bodies, together with the applicant countries, to complete the drafting of the accession treaty as soon as possible so that actual enlargement of the Community could take place on 1 January 1986 in accordance with the political resolve repeatedly expressed at the highest level.

THE ECONOMIC AND SOCIAL SITUATION IN THE COMMUNITY

The European Council discussed the Community's current economic situation, which continues to be characterized by an unacceptable rate of unemployment, even though there has been an improvement in other economic factors such as inflation rates, balance of payments, the reduction of budget deficits, convergence of the economic policies of the Member States and the process of industrial restructuring.

The European Council reaffirmed the prime importance for each government ^{and the Community} of combating unemployment through ^{creating the conditions for} sustained, more employment-intensive economic growth. ^{and submit 12/15 to work.}

It stressed the importance of completing the implementation of the economic strategy approved to that end in Dublin in December 1984 and the determination of all the Member Governments of the Community to pursue ^{as a concerted move} all the measures and policies comprising that strategy.

In this connection, the European Council laid particular emphasis on the following four fields of action:

- (a) action to achieve a single large market by 1992, thereby creating a more favourable environment for stimulating enterprise, competition and trade; it called upon the Commission to draw up a detailed programme with a specific timetable before its next meeting.
- (b) action to encourage the creation and development of small and medium-sized undertakings, particularly by significantly reducing the administrative and legal constraints to which they are subject; it called upon the Commission to report to the Council on the problems in this sector and on the measures to be taken at national and Community level, particularly with regard to administrative simplification.

(Prime revised)

SN 1381/1/85

The Council adopted a decision welcoming the

Council decision in view

regard to a new round

as a significant contribution to combat protectionism.

top/HM/bzb

Shirley H. ...

of Trade Negotiations

.../...

(c) action to adjust and adapt working conditions to the new social, economic and technological circumstances in order to increase the efficiency of the labour market. It called upon the Commission to submit any proposal it might consider useful in this area;

(d) specific action to expand employment: the European Council called on the Commission to study the possibility of using the Social Fund to promote innovatory, model schemes.

withdrawing a study by the Commission? the possibility?
And programmes to deal with the ^{employment} problems of the ^{serious} social groups. (hardship areas)

The European Council expressed its concern at the current international monetary instability which threatens to endanger the Community's economic recovery; it stressed the responsibility incumbent on all industrialized countries in the efforts to be made to achieve greater stability on exchange markets and to strengthen the international financial system.

Strengthening the technological base and competitiveness of Community industry

The European Council reiterates the importance of strengthening the technological base and competitiveness of industry; it recalls that such strengthening was one of the major objectives of the guidelines which it adopted in March 1984 for the future development of the Community.

It considers that this aspect, which is vital for the Community's future, requires:

- firstly, improvement of the environment in which undertakings operate so as to encourage their capacity for industrial innovation and their commercial enterprise;
- secondly, better utilization of the Community dimension by States and above all by undertakings so as to enable the latter to develop in a competitive, unified and open market.)

It reiterates its commitment to increasing the proportion of Community resources earmarked for research and development.

for
part
March
1225-

* welcomed the Commission's memorandum and endorsed

The European Council endorses the guidelines proposed by the Commission in its memorandum for the purpose of realizing a number of ^{its} specific objectives, ^{with} namely:

- achieving complete unification of the internal market, (in particular by the mutual recognition of standards, the creation of European standards (~~in appropriate cases~~) the opening up of public contracts, and stricter rules on aid to industry;

for goods market

* ~~by~~
this amendment would rule out anyone saying

(Does not include tax)

Protectionism

- adapting the Community's external commercial policy to its objectives as regards new technologies; *within the framework of the GATT*
- strengthening and making better use of the scientific and technological potential of the Community;
- making better use of human resources, in particular by means of increased mobility for students and researchers and by recognizing certain high-level establishments as Community "centres of excellence";
- encouraging innovation and establishing an information market;
- achieving a breakthrough in telecommunications.

*

The European Council calls on the Council of Ministers actively to pursue the examination of the Commission's current proposals which already correspond to these objectives and to initiate the examination of any new proposals which the Commission considers it appropriate to submit.

*W. Helmer
L. Breyer* - Proper spirit
Committee

line to take

Not sure what this paragraph means. Don't believe protectionism would improve the chances of European industry in the long-term. Would be ready to consider any precise proposals but not to endorse this without knowing where it would lead.

ENVIRONMENT

In accordance with its decision taken in Dublin in December 1984, the European Council devoted part of its present meeting to the serious problems raised by the considerable deterioration of the environment and to the question of the remedial measures to be taken.

In this connection, the European Council took note ~~with satisfaction~~ of the positive ^{work} (outcome) of the Environment Council in the field of combating air pollution caused by exhaust gases from motor vehicles; it noted that this progress is an important stage in the achievement, on a Community scale, of a genuine overall and balanced environmental protection policy and expressed the desire, firstly, that this outcome be put into practice as soon as possible and, secondly, that similar progress be made regarding pollution caused by ^{all} large-scale ~~combustion plants~~ ^{installations}.

The European Council considers that a Community environmental protection policy must be based on the following considerations:

- Having acknowledged that this policy can contribute to improved economic growth and job-creation, it affirms its determination to give this policy the dimension of an essential component of the economic, industrial, agricultural and social policies implemented by the Community and by its Member States.
- It acknowledges the need for coherent action by the Member States in the Community framework, since isolated action is unlikely to prove effective and may even be harmful.

- acknowledges the necessity of action to protect the environment in the Dublin area (London - also mentions sea, forest and soil)

It requests the Council to expedite its proceedings and to make every effort, together with the Commission, to ensure that the years to come are marked by significant progress in Community action for the protection of the environment in Europe and throughout the world.

In this connection, the European Council has decided that 1987 will be designated "European Environment Year".

HUNGER IN THE WORLD

Studies will monitor strict foreign.

The European Council noted with satisfaction that the action it decided on in Dublin to combat famine in Africa had been rapidly implemented. It welcomed the fact that the Community's action and the mobilization of the Member States had made it possible to go beyond the commitments entered into in Dublin and had given the lead for initiatives by other industrialized countries.

Member States will continue to monitor the situation in coopⁿ with other donors

The European Council called for the efforts already undertaken to be continued so as to improve the effectiveness of the action set in motion, with short-term measures to combat the effects of famine being supplemented by medium and long-term action designed gradually to eliminate its causes. *Thanks to Community*

The European Council took note of the Commission's intention of sending it a report on the implementation of aid, following the fact-finding ^{mission} visit which Mr Natali is to make to Africa.



Can we accept Delors
proposal

IMPS

(If pressed on whether we can accept the Commission proposal)

Provided

- a) It is clearly stated that the structural funds will continue to operate normally, on the basis of a Community-wide regional policy, in accordance with the regulations which have been recently revised and
- b) the Commission is fully accountable to the Council for the manner in which its proposals are implemented.

Then I can agree to the Commission proposal, provided that the additional budgetary effort is limited to not more than million ecu.

(Language for the conclusions, incorporating points (a) and (b) above is attached)

N.B. - sent Van's comment
Lutten 29.30.91
we have agreed



Our amendment

IMPS

Paragraph 4 might be replaced by:

A The Structural Funds will continue to operate normally, on the basis of a Community-wide regional policy, in accordance with the regulations which have recently been revised.

However, the increases in real terms which will apply to the Regional and Social Funds and the FEOGA Guidance Fund over the next seven years will help to finance IMPS. *but without affecting transfer of these funds to other less prosperous regions*

On this basis, the European Council agrees with the proposals of the ^{Presidency} Commission designed to achieve fully coordinated programmes for the Mediterranean regions most in need through the operation of the three Structural Funds.

X
Subs.
para 4

Add paragraph 5:

B The European Council requests the Council to work out the details on the basis of the principles governing the Community's Structural Funds and appropriate lending mechanisms.

NB Agreement to X above is conditional on getting in points A and B, and subject to agreement on the additional amount of money for IMPS.

IMPs

1. In accordance with the undertakings given at its meeting on 19 and 20 March 1984, the European Council has decided to launch the integrated Mediterranean programmes in favour of the southern regions of the present Community.

most ready

2. These programmes will last [7] years; their aim will be to:

- improve the economic structures of those regions to enable them to adjust under the best conditions possible to the new situation created by enlargement;
- [give a suitable] ^{complete the} response to the problems raised in the Greek Memorandum.

3. As far as the financing arrangements are concerned, the European Council agrees with the broad outlines of the approach recommended by the Commission in its communication of 21 February 1985, i.e.:

- participation by the structural Funds;
^{within the framework of the structural Funds}
- an additional budget contribution amounting to [2 000] MECU;
- loans of the order of 2 500 MECU contracted by the regions concerned with the EIB and under the New Community Instrument.

[no interest rate subsidy]

4 As far as participation by the structural funds is concerned, the European Council notes the following points:

- (a) The increases, in real terms, which should be applied to the Regional and Social Funds during the next 7 years should be devoted as a priority to financing the IMPS; on the basis, in particular, of the share of both Funds allocated to the various Member States, as recorded in recent years, the European Council considers that at least 50% of the future increases in question should be earmarked for the IMPS;
- (b) In the case of the EAGGF, Guidance Section, the European Council requests the Council to add the share concerning the IMPS to the five-year endowment recently approved by ~~the Council.~~

Delete the whole of paragraph 4 above.

Add following new tiret to paragraph 3

- the European Council agreed that, with normal operation of the Structural Funds as part of a continuing Community-wide regional policy, 2.5 billion ecus from the Funds should be devoted to IMPS over the next [] years;

Add following new paragraph 4 (if possible - but initially hold back)

"The European Council agreed that of the total amounts in paragraph 3 above, 2.5 billion ecus should be devoted to the particular needs of Greece."

Add following new paragraph 5:

"The European Council requests the Council to work out the details on the basis of the principles governing the Community's Structural Funds and appropriate lending mechanisms."

TABLE 1

PROJECTED RECEIPTS FROM THE STRUCTURAL FUNDS: 1985-89

GREECE

	Commitments 1985-89 (mecu)	Payments 1985-89 (mecu)
ERDF	1,950	1,425
Social Fund	700	400
FEOGA Guidance	625	525
Total	<u>3,275</u>	<u>2,350</u>

ITALY

	Commitments 1985-89 (mecu)		Payments 1985-89 (mecu)	
	low	high	low	high
ERDF	3,961	5,273	2,900	3,860
Social Fund	2,480	3,306	1,721	2,295
FEOGA Guidance	1,000	1,000	800	800
Total	<u>7,441</u>	<u>9,579</u>	<u>5,421</u>	<u>6,955</u>

PROJECTED EIB LENDING (OWN RESOURCES PLUS NCI) 1986-1990BEUC

GREECE	2.5 - 2.9
ITALY	18.8 - 21.5
FRANCE	6.0 - 8.7

Bruxelles, le 30 mars 1985

PIM

1. Le Conseil européen décide, conformément aux engagements pris lors de sa réunion des 19 et 20 mars 1984, tenue à Bruxelles, de lancer des programmes intégrés méditerranéens au bénéfice des régions méridionales de la Communauté actuelle. *in the framework of the proposals made by the Commission.*
2. Ces programmes auront une durée de 7 ans ; ils auront pour objet
 - d'améliorer les structures économiques de ces régions afin de leur permettre de s'adapter dans les meilleures conditions possibles à la situation nouvelle créée par l'élargissement ;
 - d'apporter la réponse appropriée aux problèmes évoqués par le mémorandum grec.
3. S'agissant des modalités de financement, le Conseil européen marque son accord sur les grandes lignes de l'approche préconisée par la Commission dans sa communication du 21 février 1985, à savoir:
 - la participation des fonds structurels à hauteur de 2,5 milliards d'écus
 - un effort budgétaire supplémentaire s'élevant à 1,6 milliards d'écus, qui permettront à la Commission d'apporter les fonds additionnels à la mise en oeuvre des programmes qu'elle aura approuvés
 - des emprunts d'un montant de 2,5 milliards d'écus contractés par les régions concernées auprès de la BEI ainsi que dans le cadre du Nouvel instrument communautaire.
4. Les deux premières catégories de ressources bénéficieront à la Grèce pour un montant de 2 milliards d'écus.

Nouveau

Le Conseil européen estime que ces chiffres et les dispositions qui les accompagnent dans ce texte répondent une fois pour toute aux engagements pris par la Communauté au sujet des "Programmes intégrés méditerranéens".

4. Les fonds structurels continueront à fonctionner normalement sur la base d'une politique régionale applicable dans la Communauté tout entière, conformément à la réglementation récemment revue.

Toutefois, les augmentations en termes réels qui s'appliqueront aux fonds régional et social et à la section orientation du FEOGA au cours des sept années à venir aideront à financer les PIM, mais sans affecter négativement les transferts de ces fonds à d'autres régions prioritaires moins prospères.

Sur cette base, le Conseil européen marque son accord sur les propositions de la Commission visant à réaliser, grâce au fonctionnement des trois fonds structurels, des programmes entièrement coordonnés en faveur des régions méditerranéennes les plus défavorisées.

5. En ce qui concerne la répartition des ressources, qui devra s'inspirer des critères contenus dans la proposition de la Commission, le Conseil européen souligne que les critères de répartition devront tenir compte, en premier lieu, des effets économiques et sociaux de l'élargissement sur chacune de "ces régions".

En particulier, le Conseil européen met en relief le caractère spécifique de la Grèce, dont tout le territoire entre dans le champ d'application des programmes intégrés méditerranéens, ainsi que les aspirations légitimes du gouvernement grec.

En ce qui concerne la qualité des programmes à financer, qui constitue un élément important du succès des PIM, le Conseil européen demande à la Commission de mettre à la disposition des Etats membres qui le demanderaient des groupes d'experts indispensables pour l'évaluation, la préparation et la mise en oeuvre des programmes.

Enfin, le Conseil européen souligne qu'il importe que les actions prévues au titre des PIM pour les régions appartenant à l'Italie et à la France utilisent notamment les crédits de la BEI et du NIC.

Methods + Procedures of Commission

6. Le Conseil européen demande au Conseil d'élaborer les modalités détaillées sur la base des principes régissant les fonds structurels de la Communauté ainsi que les mécanismes de prêt appropriés.

Order by 30 June

Bruxelles, le 30 mars 1985

DECLARATIONS A INSCRIRE AU PROCES-VERBAL

La délégation allemande ne s'oppose pas à ce que les pays bénéficiaires des PIM utilisent les fonds budgétaires de la Communauté pour des bonifications d'intérêt.

Luxemburg

Les délégations allemande, néerlandaise et britannique estiment que les programmes intégrés méditerranéens complète la réponse financière de la Communauté aux problèmes évoqués dans le Memorandum grec.

Brussels, 30 March 1985

IMPs

1. In accordance with the undertakings given at its meeting in Brussels on 19 and 20 March 1984, the European Council has decided to launch the integrated Mediterranean programmes in favour of the ^{most needy} southern regions of the present Community.

2. These programmes will last 7 years; their aim will be to:

- improve the economic structures of those regions to enable them to adjust under the best conditions possible to the new situation created by enlargement;

- ^{complete the Community's financial} give a suitable response to the problems raised in the Greek Memorandum.

3. As far as the financing arrangements are concerned, the European Council agrees with the broad outlines of the approach recommended by the Commission in its communication of 21 February 1985, i.e.:

- participation by the structural Funds; ≈ 2.5
within the framework of the structural funds
- an additional budget contribution amounting to $[1.6]$ 1.6
which will enable the Commission to make additional funds for the movement of capital
- loans of at least 2 500 million ECU contracted by the regions concerned with the EIB and under the new Community Instrument.

2.5-

0.8
2

1987 - 84

And reg. 45% of funds.

16th Avenue.

102.

Even other countries 45% of income

As far as participation by the structural Funds is concerned, the European Council notes the following points:

✓ The structural Funds will continue to operate normally on the basis of a regional policy applying to the whole of the Community, in accordance with the recently revised rules. *Grille nobby*

The increases, in real terms, which should be applied to the Regional and Social Funds during the next seven years should *help to finance* be devoted as a priority to financing the IMPS; *on the basis,* in particular, of the share of both Funds allocated to the various Member States, as recorded in recent years, the European Council considers that around 45% of the future increases in question should be earmarked for the IMPS. *distributed over annual par 3*

5. As regards resource allocation, which should be based on the criteria contained in the Commission proposal, the European Council would emphasize that the allocation criteria should take account, first and foremost, of the relative needs of the different regions and their situation as regards economic and social development.

In particular, the European Council would draw attention to the special case of Greece, whose entire territory comes within the sphere of the Integrated Mediterranean Programmes, and to the legitimate expectations of the Greek Government.

With regard to the quality of the programmes to be financed, which is an important factor in the success of the IMPs, the European Council requests the Commission to place at the disposal of those Member States who so request groups of experts needed for the assessment, preparation and implementation of the programmes.

Lastly, the European Council would emphasize that it is important that the IMPs measures for regions belonging to Italy and France should in particular use the EIB and NCI appropriations.

[with interest rate subsidies. *To be financed by the add'l budget contribution.*]

IMPS

Paragraph 4 might be replaced by:

The Structural Funds will continue to operate normally, on the basis of a Community-wide regional policy, in accordance with the regulations which have recently been revised.

However, the increases in real terms which will apply to the Regional and Social Funds and the FEOGA Guidance Fund over the next seven years will help to finance IMPs.

On this basis, the European Council agrees with the proposals of the Commission designed to achieve fully coordinated programmes for the Mediterranean regions most in need through the operation of the three Structural Funds.

Add at end of paragraph 5:

..."subsidies to be financed by the additional budget contribution".

Add paragraph 6:

The European Council requests the Council to work out the details on the basis of the principles governing the Community's Structural Funds and appropriate lending mechanisms.

Bruxelles, le 23 mars 1985

P.I.M.

1. Le Conseil Européen décide, conformément aux engagements prises lors de sa session des 19/20 mars 1984, tenue à Bruxelles, de lancer des programmes intégrés méditerranéens au bénéfice des régions méridionales de la Communauté actuelle.

X 2. Ces programmes auront une durée de [7] ans ; ils auront pour objet

- d'améliorer les structures économiques de ces régions afin de leur permettre de s'adapter dans les meilleures conditions possibles à la situation nouvelle créée par l'élargissement ;

X - d'~~apporter~~^{COMPLÉTER} la réponse appropriée aux problèmes évoqués par le Memorandum grec.

3. S'agissant des modalités de financement, le Conseil Européen marque son accord sur les grandes lignes de l'approche préconisée par la Commission dans sa communication du 21 février 1985, à savoir :

- la participation des Fonds structurels

No X - un effort budgétaire supplémentaire s'élevant à [2 milliards] d'ECUs

- emprunts de l'ordre de 2,5 milliards d'ECUs contractés par les régions concernées auprès de la BEI ainsi que dans le cadre du Nouvel Instrument Communautaire.

4. En ce qui concerne la participation des Fonds structurels, le Conseil Européen retient les éléments suivants :

- a) Les augmentations, en termes réels, qu'il conviendrait d'appliquer aux Fonds Régional et Social au cours des 7 années à venir doivent être consacrées en priorité au financement des PIM ; se basant notamment sur la part allouée dans les deux Fonds aux différents Etats membres telle que l'on peut la constater dans les années récentes, le Conseil Européen estime qu'au moins 50 % des augmentations futures en question doivent être destinées aux PIM.
- b) S'agissant du FEOGA, Orientation, le Conseil Européen invite le Conseil à compléter la dotation quinquennale récemment approuvée par le Conseil par la part concernant les PIM.

REPLACE THE WHOLE OF PARA 4
BY THE COMMISSION'S
PROPOSAL FOR 2.5
BILLION ECUS FROM THE
STRUCTURAL FUNDS.

(IE. including growth but also a lot of
money they would have got anyway)

Brussels, 30 March 1985

Statements for the minutes

The German delegation is not opposed to the countries who benefit from the IMPs using the Community's budgetary funds for interest-rate subsidies.

The German, Dutch and British delegations feel that the Integrated Mediterranean Programmes complete the Community's financial response to the problems raised in the Greek Memorandum.

Strengthening the technological base and
competitiveness of Community industry

The European Council reiterates the importance of strengthening the technological base and competitiveness of industry; it recalls that such strengthening was one of the major objectives of the guidelines which it adopted in March 1984 for the future development of the Community.

It considers that this aspect, which is vital for the Community's future, requires:

- firstly, improvement of the environment in which undertakings operate so as to encourage their capacity for industrial innovation and their commercial enterprise;
- secondly, better utilization of the Community dimension by States and above all by undertakings so as to enable the latter to develop in a competitive, unified and open market.

It reiterates its commitment to increasing the Community resources earmarked for research and development.

The European Council welcomes the Commission's memorandum and endorses a number of specific objectives, namely:

- achieving complete unification of the internal market, in particular by the mutual recognition of standards, the creation of European standards in appropriate cases, the opening up of public contracts, and stricter rules on aid to industry;

- adapting the Community's external commercial policy to its objectives as regards new technologies, in the framework of GATT;
- strengthening and making better use of the scientific and technological potential of the Community;
- making better use of human resources, in particular by means of increased mobility for students and researchers and by recognizing certain high-level establishments as Community "centres of excellence";
- encouraging innovation and establishing an information market;
- achieving a breakthrough in telecommunications.

The European Council calls on the Council of Ministers actively to pursue the examination of the Commission's current proposals, which already correspond to these objectives, and to initiate the examination of any new proposals which the Commission considers it appropriate to submit.

At each European Council the Commission will submit a stage report on the progress achieved in strengthening technological co-operation and the competitiveness of the European economy.

Brussels, 30 March 1985

IMPs

1. In accordance with the undertakings given at its meeting in Brussels on 19 and 20 March 1984, the European Council has decided to launch the integrated Mediterranean programmes in favour of the southern regions of the present Community.
2. These programmes will last 7 years; their aim will be to:
 - improve the economic structures of those regions to enable them to adjust under the best conditions possible to the new situation created by enlargement;
 - give a suitable response to the problems raised in the Greek Memorandum.
3. As far as the financing arrangements are concerned, the European Council agrees with the broad outlines of the approach recommended by the Commission in its communication of 21 February 1985, i.e.:
 - participation by the structural Funds for an amount of 2.500 Million ECU;
 - an additional budget contribution amounting to 1.600 Million ECU which will permit the Commission to supply the additional funds for the implementation of the projects approved by it;
 - loans of 2.500 Million ECU contracted by the regions concerned with the EIB and under the new Community Instrument.

The two first categories of resources will benefit Greece for an amount of 2.000 Million ECU.

The European Council feels that these figures and the accompanying provisions in this text meet once and for all the commitments undertaken by the Community concerning the "Integrated Mediterranean Programmes".

4. The Structural Funds will continue to operate normally, on the basis of a Community-wide regional policy, in accordance with the regulations which have recently been revised.

The increases in real terms which will apply to the Regional and Social Funds and the FEOGA Guidance Fund over the next seven years will help to finance IMPs, but without ^{adversely} affecting transfers from these Funds to other less-prosperous and priority regions of the Community.

On this basis, the European Council agrees with the proposals of the Commission designed to achieve fully coordinated programmes for the Mediterranean regions most in need through the operation of the three Structural Funds.

5. As regards resource allocation, which should be based on the criteria contained in the Commission proposal, the European Council would emphasize that the allocation criteria should take account, first and foremost, of the relative economic and social effects of enlargement on each of these.

In particular, the European Council would draw attention to the special case of Greece, whose entire territory comes within the sphere of the Integrated Mediterranean Programmes, and to the legitimate expectations of the Greek Government.

With regard to the quality of the programmes to be financed, which is an important factor in the success of the IMPs, the European Council requests the Commission to place at the disposal of those Member States who so request groups of experts needed for the assessment, preparation and implementation of the programmes.

Lastly, the European Council would emphasize that it is important that the IMPs measures for regions belonging to Italy and France should in particular use the EIB and NCI appropriations.

6. The European Council requests the Council to work out the details on the basis of the principles governing the Community's Structural Funds and appropriate lending mechanisms.

Review 30th June

Brussels, 30 March 1985

Statements for the minutes

The German delegation is not opposed to the countries who benefit from the IMPs using the Community's budgetary funds for interest-rate subsidies.

The German, Dutch and British delegations feel that the Integrated Mediterranean Programmes complete the Community's financial response to the problems raised in the Greek Memorandum.

Brussels, 30 March 1985

Statements for the minutes

The German delegation is not opposed to the countries who benefit from the IMPs using the Community's budgetary funds for interest-rate subsidies.

Belgian Delegation

The German, Dutch and British delegations feel that the Integrated Mediterranean Programmes complete the Community's financial response to the problems raised in the Greek Memorandum.

Brussels Europa Hotel

Brussels

Private Secretary.

Political Cooperation.

1. Political Directors broke up at 12.30 last night with a set of brief texts which they agreed to submit ad referendum to Heads of Government.

2. East West

No reference to S.D.I. Text is low key and avoids excessive optimism about prospects for dialogue or for Geneva talks. We can accept it.

Final sentence, on republishing Helsinki Final Act is still in square brackets. Germans insisted on retention of phrase
This was a proposal Genscher made at the Council of Europe. The Ten have never discussed it to determine what it would involve for each of us (White Paper, or send copies to newspapers?). It would be more logical to leave until Milan Council (just before Helsinki 10th Anniversary), by which time we can discuss it and agree what we mean by it, including cost implications. But we can agree now if Genscher insists.

3. Arab-Israeli conflict

We can agree. Quite a good text now.

PLO, out. Reference to Syria out.

Encouragement given to Jordanian initiative and, in slightly lower key, to Mubarak. The result should encourage the mediators and offend no one.

4. Iran/Iraq.

We can agree. This is a good text, fair and firm.

Brussels Europa Hotel Brussels

5. Lebanon

This is just all right.

The Irish insisted, on instructions, on including specific references to the "IDF and to Israeli-supported militia" in the paragraph on UNIFIL. But given the direct attacks on Irish forces, this was difficult to avoid. The wording agreed makes clear that these are not the only problems for UNIFIL.

6. Latin America

Despite sustained efforts by Germans and ourselves, this still contains a paragraph regretting the deterioration of the situation in Chile. This was the absolute minimum others would accept. It is balanced by the undertaking to continue earthquake aid.

The passage on Central America is a simple endorsement of Contadora. We can accept. But we should resist attempts to make a commitment now to a further EC / Central American Ministerial meeting.

7. South Africa

This is the worst. Strong pressure from the French, Dutch and Irish for condemnatory language. I argued at length against repeating condemnation ~~as~~ as unhelpful and pointless. In the end, in order to eliminate a much worse text which we would have been under strong pressure to accept, I agreed to commend it is one which avoids direct criticism and emphasises the positive. I recommend acceptance.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

EAST-WEST

1. The Ten view with satisfaction the recent positive developments ^{in East/West relations} whose improvement remains for them a priority objective. They believe that the intensification of high-level political contacts can help to promote mutual understanding and to increase international security and stability. For their part they stand ready to seek new areas of co-operation with the East and to identify and build on areas of common interest. They express the hope that the new Soviet leadership will adopt a similarly constructive approach.

2. The Ten welcome the opening of the US-Soviet negotiations in Geneva on space and nuclear arms, both strategic and intermediate-range. They are convinced that the conclusion of equitable and verifiable agreements on each of the areas under negotiation would contribute to the strengthening of strategic stability. They expressed ~~the~~ the hope that the negotiations will make possible radical reductions in strategic and medium-range nuclear armaments and prevent a new arms race including in outer space. They recall in this regard the importance which they attach to respect for existing treaty obligations. They also reiterate the importance they attach to the conclusion of effective agreements on arms control and disarmament in the conventional field as well as a convention on the elimination of chemical weapons worldwide.

3. The Ten believe that a successful outcome of the Stockholm Conference on Disarmament in Europe would further contribute to reducing the risks of military confrontation in Europe. An agreement on a set of concrete confidence- and security- building measures would help to give effect and expression to the duty of the Participating States to refrain from the threat or use of force. They will continue to work actively for such an agreement.

4. The CDE is an integral part of the CSCE process which continues to offer the most favourable prospects for a peaceful and co-operative future in Europe and which is a comprehensive endeavour which encompasses all the fields in which improvements would result in a better and more trusting East-West relationship. Security and disarmament, respect for human rights, increased economic co-operation, human and cultural contacts and information are all essential elements in the promotion of a climate of greater trust between European peoples and countries. The Ten believe that the commemoration of the tenth anniversary of the signature of the Final Act would provide an opportunity for reaffirming the commitment of all the parties concerned to base their behaviour both at home and abroad on the principles and aims enshrined in that document. / They call upon all CSCE Participating States to republish in their countries on this occasion the Helsinki Final Act and the Madrid Concluding Document and to distribute and publicise these as widely as possible_7.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

ARAB ISRAELI CONFLICT

The Ten continue to maintain a close interest in developments in the Middle East. They welcome recent moves towards a reactivation of the negotiating process in the search for a solution to the Arab-Israeli conflict, notably the Jordan/Palestinian agreement reached on 11 February at the initiative of King Hussein which contained a clear commitment to negotiations for peace in accordance with UN and Security Council Resolutions. In the view of the Ten this represents a constructive step forward. They also welcome the ideas put forward by the President of Egypt.

The Ten consider that these important initiatives reflect a desire for movement towards a peaceful solution. This deserves encouragement and a positive response.

They confirm their conviction that the achievement of a just and lasting solution calls for the participation and the active support of all the parties concerned. The Ten consider that no effort should be spared to maintain and strengthen the present movement in the peace process and to facilitate a dialogue between all the parties to the conflict.

The Ten reconfirm their willingness to contribute to a comprehensive, just and peaceful settlement of the Middle East question on the basis of the principles which they have stated many times in the past and to which they continue to adhere. In their contacts with all the parties concerned, the Ten, both collectively and individually, will work to promote the reconciliation of the various positions.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

IRAN-IRAQ

The Ten view with utmost concern the aggravation of the conflict between Iraq and Iran. The present escalation in military activities against civilian targets is a serious development. The continued losses of life among the civilian population, the serious damage to the economy of both countries and the permanent risk of an extension of the hostilities make a negotiated solution to the conflict more necessary and pressing than ever. Recalling the relevant resolutions of the UN Security Council and the recent statements of the UN Secretary General, the Ten urge Iran and Iraq to agree upon an immediate ceasefire and to start a negotiating process with a view to achieving a peaceful solution which is honourable and acceptable to both sides.

In the meantime, the Ten call again upon Iraq and Iran to comply with the commitment made under the agreement concluded in June 1984, under the aegis of the UN Secretary-General, to refrain from bombing civilian targets. The Ten draw the attention of both countries to the profound humanitarian concerns raised by this and other aspects of the conflict, such as the treatment of prisoners of war. They condemn the use of chemical weapons, wherever and whenever it occurs.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

LEBANON

The Ten continue to view with concern the deterioration of the situation in Lebanon and in particular its consequences for the civilian population in the South, which continues to be subjected to unjustifiable acts of violence. Following the Israeli government's decision to withdraw its forces, they look for the early, orderly and complete withdrawal of those forces from that region in accordance with the relevant resolutions of the UN Security Council. The Ten consider it important that adequate security arrangements be reached between the Israeli and Lebanese Governments.

The Ten appeal to all the parties concerned, both within Lebanon and outside, to act in such a way as to facilitate the process of restoring the sovereignty, unity, territorial integrity and independence of Lebanon.

The Ten reaffirm their support for UNIFIL. They are concerned at recent incidents involving in particular UNIFIL on the one hand and the Israeli defence forces and Israeli-supported militia on the other.

The Ten call on all parties to respect UNIFIL's role, to co-operate fully with the Force and to ensure the safety of its personnel.

They are deeply concerned at the suffering of the Lebanese people and at the recent kidnappings involving foreign nationals.

EUROPEAN COUNCIL
(Brussels, 29-30 March 1985)

LATIN AMERICA

The Ten welcome the return to democracy in a number of Latin American countries including, most recently, Uruguay and Brazil. They hope that this trend will encourage a similar development in those Latin American countries which have yet to find their way to a pluralist democracy and in which human rights continue to be violated.

In particular, the Ten note with regret the deterioration of the situation in Chile as regards the re-establishment of a pluralistic democracy and the respect of civil and human rights. At the same time, the Community and Member States intend to continue to help to alleviate the suffering experienced by this country as a result of the recent earthquake.

The Ten are pleased that it has proved possible to find a peaceful solution to the territorial dispute between Argentina and Chile, thanks to the mediation of the Holy See.

The Ten note with satisfaction that the will to negotiate and to bring about peace has prevailed in Central America, enabling the work of the Contadora Group to proceed in spite of the difficulties with which the latter has recently been faced. They again confirm their support for the continued efforts of the Contadora Group, whose action is vital to the achievement of a peaceful settlement of the region's problems. Following the success last September of the San José Conference which should be followed shortly by a further meeting in Europe with the same participants, there will soon be a mission to the region, organized according to the Troika formula, to confirm Europe's interest in developing economic and political co-operation with the countries of Central America.

The Ten share the Latin American countries' concern at the gravity of the economic and financial problems of this continent and note that the burden of their external indebtedness is having a serious effect on political, economic and social conditions in many countries. They fully support the continuing dialogue, on these issues in particular on the problem of indebtedness taking place in the relevant international institutions.

SOUTH AFRICA

The Ten express their grave concern about the increased tension which is presently developing in South Africa as a result of the continued enforcement of the policy of apartheid of the South African government.

They recently launched a fresh appeal for the ending of the apartheid system. The latest tragedies - which led them to condemn the recent violent actions of the South African police at Uitenhage - reinforced the importance of that message.

The Ten reaffirm their urgent appeal, included in their earlier statements on South Africa of 11 September 1984 and 25 March 1985, for the initiation of a comprehensive dialogue in South Africa leading to substantial reforms guaranteeing full and equal participation of all South Africans in the political process.

The creation of wealth and employment in the Community

1. The European Council agreed that the Community must mobilise its efforts to create more wealth and more jobs. It agreed that the Community and individual member states needed to pursue policies that reinforced each other if they were to create the conditions necessary for sustained non-inflationary growth and tackle the problem of unemployment. In accordance with the economic policy guidelines endorsed by the European Council at Dublin in December 1984, this would require action to create the right macro-economic climate, by maintaining firm fiscal and monetary policies, and to promote a liberal and competitive internal market as envisaged in the Treaty of Rome. It would also require supportive measures in specific areas, in particular through the following:

- a. measures to stimulate enterprise and competition
 - by reducing the administrative and legislative burdens on businesses;
 - by establishing conditions conducive to the creation and expansion of small and medium-sized enterprises;
 - by increasing competition, particularly in the service sector and in the professions;
 - by increasing the opportunities for private businesses to supply goods and services to the public sector;
 - by firm control of, and wherever possible reduction in, state aids, and by focussing them on the promotion of competitiveness.

- b. measures to create jobs
 - by removing obstacles to the mobility of labour;
 - by removing or amending legislation which unnecessarily holds back job creation;

- by extending and improving the training given to young people and adults;
- by encouraging moderation in the growth of wages and other labour costs;
- by taking steps to ensure that the social protection available to the unemployed does not act as a disincentive to their seeking work.

2. In this context the European Council expressed concern about the existing burden on businesses in terms of direct cost and management time of conforming to national and Community regulation, especially for small and medium-sized enterprises. In order that complementary action might be taken at both national and Community level to reduce the burden, the European Council invited the Commission to consider and report to the next European Council on the burden imposed on businesses by existing Community legislation, and ways to reduce it.

3. The European Council also urged the Commission and the Council to consider proposed Community legislation in the light of its impact on the creation of wealth and productive employment. The impact on business costs, including management time, of new proposals should be identified. The Council should avoid imposing additional burdens on business or increasing rigidities in the labour market except where the expected benefit would clearly outweigh the cost to employment and efficiency - and only after studying alternative measures to the same end.



[On Tax Harmonisation - as necessary]

In the United States, which has a genuine common market, there is a very wide range of state taxes. Excise (sales) taxes exist in some states and not in others. In the states where they do exist, the rates vary up to 6%. Some states have corporate tax; others (Texas/Nevada) do not. Some states have personal income tax; others do not. There is a wide variety of other special taxes. States with a relatively high rate of taxation, such as Massachusetts, adjoin others with substantially lower tax rates, such as New Hampshire - though it is perfectly true that in such cases there is a tendency for new investment to take advantage of lower taxation.