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FINANCIAL SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

David Hayhoe Esq
PS/The Rt Hon John Biffen MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1

28 September 1983

Dear David,

PUBLICATION OF ECONOMIC PROGRESS REPORT SUPPLEMENT ON 'FUTURE FINANCING AND DEVELOPMENT OF THE EUROPEAN COMMUNITY: BRITISH GOVERNMENT IDEAS'

The Chancellor and the Foreign and Commonwealth Secretary have agreed that we should publish as a special supplement to the Treasury's Economic Progress Report an article summarising the three papers which the United Kingdom has contributed to the 'great negotiation' in Brussels on the future financing of the Community. We plan, accordingly, to publish the attached article on Thursday morning. Copies of the typescript have already been placed in the House of Commons Library and sent to Sub-Committee A of the House of Lords European Committee.

The journalists best equipped to understand and report on these somewhat technical subjects are those in Brussels. It is proposed, therefore, that Sir Michael Butler should launch the article at an unattributable press briefing in Brussels on Thursday at 11.00am. (Brussels time and our time). The Treasury proposes to issue the article simultaneously in London under cover of a press notice explaining that it is an advance copy of an article which will appear as a special supplement to the October issue of Economic Progress Report.

The United Kingdom's ideas on the future financing and development of the Community have already been quite widely, if briefly, reported in the press. The purpose of the article is to set out our detailed ideas in a handy form, for the benefit of both domestic and overseas audiences. Since the papers which the UK has circulated on these matters in Brussels are contributions to a confidential negotiation, the article does not refer to them directly or reproduce them in full. But it omits nothing of importance, and Ministers will be able to make this point if they are asked to publish the circulated papers themselves.

I am copying this letter and the typescript of the article to John Coles and Bernard Ingham (NO.10), Roger Bone and Stephen Lamport (FCO), Robert Lowson (MAFF), Michael Reidy (D/Energy), Jonathan Spencer (DTI), John Ballard (DOE) and Richard Hatfield (Cabinet Office).

Yours Sincerely

Eric Kwiecinski

E KWIECINSKI
Private Secretary

FUTURE FINANCING AND DEVELOPMENT OF THE EUROPEAN COMMUNITY :

BRITISH GOVERNMENT IDEAS

Introduction

The European Council meeting on 18 June 1983 at Stuttgart agreed that broad action should be taken to ensure the relaunch of the European Community. The Heads of Government declared that 'in the course of the coming six months a major negotiation will take place to tackle the most pressing problems facing the Community so as to provide a solid basis for the further dynamic development of the Community over the remainder of the present decade'. It was agreed that the negotiation should cover the future financing of the Community, the development of Community policies, the issues relating to enlargement, particular problems of certain member states in the budget field and in other fields, and the need for greater budgetary discipline. The results of the negotiation are to be submitted to the European Council meeting in Athens on 6 December 1983.

2. As reported to the House of Commons on 23 June, the Prime Minister made clear at the Stuttgart Council that the British Government remained to be convinced that there is a case for increasing the Community's revenue resources but agreed to consider the matter provided that agreement was reached on -

i. a lasting arrangement to ensure that budgetary burdens are shared equitably between member states, and

ii. strict budgetary control of agricultural and other expenditure.

3. At Special Council meetings in July/August and September, the Foreign and Commonwealth Secretary put forward the British Government's specific ideas for the sharing of budgetary burdens in the Community, a strict financial guideline for agricultural expenditure and the development of Community policies. This article summarises these ideas.

Burden-sharing : a 'safety-net'

4. There is a wide measure of agreement in the Community that Community policies should be developed in the longer term so as to achieve a more appropriate financial balance between member states. The British Government shares this view. In practice, however, it will not be possible to solve the problem of budgetary imbalances totally by this means in the foreseeable future.

In the Government's view, therefore, some kind of 'safety-net' arrangement will be needed in addition to ensure that no member state bears an unreasonable burden. Such an arrangement should be designed to disturb the Community's existing arrangements as little as possible. It should respect the principles of the own resources system, and it should be designed to be applicable to the enlarged Community. A further objective should be to enable those member states bearing the heaviest budgetary burdens to look at proposals for new Community policies on their merits rather than having to oppose them if they would aggravate an already inequitable budgetary situation.

5. In the Government's view, it should be possible to devise an arrangement which would meet the above requirements and provide a Community solution. A suggested arrangement on these lines is outlined below. It reflects the philosophy set out in Sir Geoffrey Howe's Hague speech of June 1981; but it is more modest in scope and concentrates on correcting any inequitable burdens which may fall on net contributor countries by setting appropriate limits, based on relative prosperity and GDP, on the net budgetary burdens that any member state would be expected to bear. The main elements would be:

- The Community would agree that member states whose relative prosperity in the enlarged Community was below some given level should be net beneficiaries from the budget and not in any circumstances net contributors;

- above that level, the limit on a member state's net budgetary burden would be expressed as a small percentage of the member state's GDP, the percentage being related to the member state's relative prosperity in the enlarged Community;

- any member state bearing a net budgetary burden of more than its agreed limit would have its VAT payments in the following year modulated and reduced, accordingly, by the amount of the excess.

6. It would be for the Community to decide what the limits on the net budgetary burdens of member states with any particular level of relative prosperity should be. The Community might agree, for example, that member states with less than (say) 90 per cent of Community average prosperity in the enlarged Community should not be net contributors in any circumstances. At the other end of the scale, the Community might think it reasonable that the most prosperous countries (perhaps those with 140 percent of Community average prosperity after enlargement) should be prepared if necessary to bear a quite substantial net budgetary burden, provided that it did not exceed some specified percentage, say 0.3 per cent or 0.4 per cent, of their GDP. Between these two points, the limits on net budgetary burdens as a percentage of GDP could rise in accordance with relative prosperity.

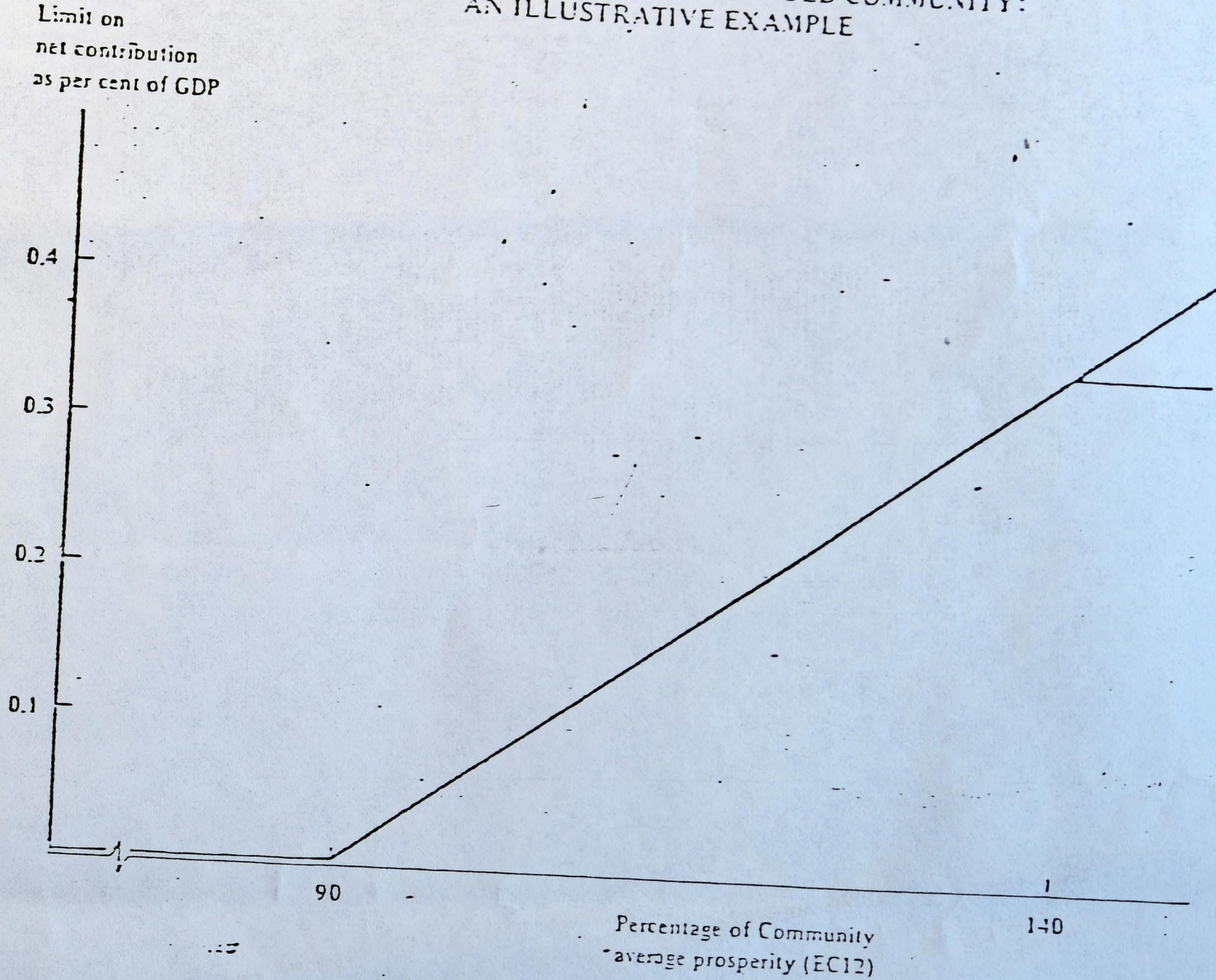
7. The accompanying diagram, based on the illustrative figures mentioned above, may help to clarify the idea. Its purpose is purely illustrative. It does not represent a UK proposal as to what would constitute acceptable levels of compensation. The Community would need to decide both the level of relative prosperity below which member states would not be expected to make any net contribution at all, and the rate at which the limits on member states' net budgetary burdens should increase with relative prosperity. It would likewise be for decision whether there should or should not be some absolute upper limit, in terms of the percentage of GDP, on the net contribution which any member state would be expected to bear, regardless of its

relative prosperity - and at what level of relative prosperity any such absolute upper limit (illustrated in the diagram by the horizontal section towards the righthand side) should begin.

8. The precise method of implementation would likewise be for decision. But there would seem advantage in retaining a common rate of VAT for all member states and expressing as deductions from VAT the reliefs needed to bring the net contributions of member states with excessive net budgetary burdens down to their agreed limits. The revenue shortfall resulting from these reliefs could be covered by an increased call-up of normal VAT from all member states. Or the extra financing could, if desired, be modulated to take account of existing budgetary burdens and benefits and relative prosperity, with a view to spreading the costs as equitably as possible.

9. An arrangement on these lines would be guaranteed to solve the imbalances problem on a lasting basis in a manner which was seen to be fair to all and which fulfilled all the desiderata listed in paragraph 4. The only member states whose net budget contribution figures would play a critical part in the calculation of reliefs due would be those bearing heavy net budgetary burdens in the enlarged Community. In contrast with the existing refund arrangements, no compensation payments would be made from the Community budget to net contributor countries. The safety-net limits, and the consequential reliefs, would operate only so long as, and to the extent that, the development of Community policies failed to solve the imbalances problem: hence the term 'safety-net'.

SAFETY-NET LIMITS IN THE ENLARGED COMMUNITY: AN ILLUSTRATIVE EXAMPLE



A Strict Financial Guideline for Common Agricultural Policy (CAP) Expenditure

10. At its Stuttgart meeting in June the European Council declared "that the CAP must be adapted to the situation facing the Community in the foreseeable future in order that it can fulfil its aims in a more coherent manner" and stated that the examination of the CAP which is now being undertaken should "result inter alia in concrete steps compatible with market conditions being taken to ensure effective control of agricultural expenditure."

11. The European Commission has recommended the Council of Ministers to adopt a guideline that the rate of growth of agricultural expenditure (as an average calculated over a number of years) should remain below that of the Community's own resources. The European Parliament, in the Arndt Resolution, has said that the annual increase in agricultural expenditure must be held at a lower level than the increase in revenue. The British Government has consistently taken the view that the rate of growth of CAP expenditure should be markedly lower than the rate of growth of the Community's own resources. The arrangement for a stict financial guideline described below would, by assisting in the effective control of agriculture expenditure, make an essential contribution to the adaptation of the CAP called for by the European Council. The guideline would not be a subtitute for appropriate adjustments to individual commodity regimes but would provide a framework within which the necessary adjustments to those regimes would be made year by year.

12. The arrangement suggested is that the Community's budgetary procedures should embody a strict financial guideline specifying that the rate of increase in Guarantee expenditure by the European Agricultural Guarantee and Guidance Fund (FEOGA) in any year, as compared with the corresponding provision in the original budget adopted for the preceding year, shall not exceed a proportion (the 'given fraction') of the rate of increase in the Community's own resources base

between those two years. The size of the 'given fraction' would be for negotiation.

13. The strict financial guideline would be intended to constrain the two, related major annual decisions which the Community takes in respect of agricultural expenditure: the price fixing and the budget.

14. Simultaneously with its annual price fixing proposals the Commission would propose, and the Council would decide on, a permitted rate of increase in the amount available for FEOGA guarantee expenditure in the year following the price fixing, as compared with the amount provided in the original budget for the year of the price fixing. The permitted rate of increase, both in the Commission's proposal and in the Council's decision, could be less than, but would not exceed, the rate of increase implied by the 'given fraction'. The Commission's proposals and the Council's and Commission's decisions about agricultural prices both at that and the following year's price fixing, as well as other decisions during the year, would have to be consistent with the permitted rate of increase. What would in practice be needed would be a sustained policy of restraint on common prices, rigorous application of guarantee thresholds to limit the quantity of production to which the Community's guaranteed prices apply and other measures in individual commodity sectors to make the CAP more cost-effective.

15. The Commission's proposals for FEOGA guarantee expenditure in the Preliminary Draft Budget for the year following the price fixing would have to be consistent with the permitted rate of increase; so would the Draft Budget established by the Council of Ministers. The European Parliament's present power to propose modifications to agricultural expenditure would also have to be exercised under a special procedure which took account of the strict financial guideline.

16. If the trend of FEOGA guarantee expenditure in any year were to turn out to be higher than expected at the time of the annual price fixing and allowed for in the Community budget, for example because of unforeseen market developments, it would be for the Commission to use its market management powers to reduce expenditure to the extent possible. If such action appeared unlikely to keep expenditure within the permitted rate of increase it would be for the Commission to make proposals to the Council, which might include a review of decisions taken at the price fixing. If, despite such action, an increase in expenditure appeared unavoidable, the Commission could under an exceptional procedure submit a supplementary budget increasing FEOGA expenditure.

17. If in any year the budget provision for FEOGA guarantee expenditure exceeded the amount specified by the 'given fraction' as the result of such a supplementary budget, the excess would be deducted from the amount available under the 'given fraction' rule in the following year. Conversely, the Council might add any shortfall in FEOGA guarantee expenditure below that permitted by the given fraction rule to the amount available under the given fraction for the following year. The effect of these procedures would be to ensure that the trend rate of increase laid down in the financial guideline would not be exceeded over a period of years.

Future development of the Community

18. Heads of Government at the Stuttgart European Council expressed their determination "to develop and make more effective Community action in research, innovation and the new technologies with a view to facilitating cooperation between enterprises", while emphasising that policies in these areas must be developed within the bounds of financial feasibility.

19. The Government has drawn attention to a number of key areas, mentioned below, in which the member states can benefit by concerted actions on a Community basis. In the Government's view, emphasis will need to be placed on cost-effectiveness and economy. In many cases results can be achieved, without additional Community spending, by greater cooperation between member states to cut out waste and duplication. The availability of resources within the Community budget for new policies will depend on keeping the rate of growth of agricultural spending below that of the Community's own resources.

i. European industry

20. In the Government's view, the Community needs to apply itself over the next decade to the development of a vigorous, efficient and cost-effective industrial sector able to compete with the US, Japan and the newly industrialised countries, and capable of creating the wealth on which the future economic, social and political well-being of the Community depends. To achieve this, the Community must:

- give priority to the development of more effective Community action in research, innovation and the new technologies with a view to facilitating cooperation between enterprises;

- examine critically the administrative and legislative impediments to joint European ventures, risk taking and investment;

- develop a competition policy which has the positive dimension of industrial development in mind and not solely the possible distortion of competition;

- building on ideas put forward by the Commission and France/to examine further the possibility of industrial cooperation between undertakings from a number of member states within the Community framework;

- encourage training programmes for the new technology industries, possibly under the Social Fund.

ii. Energy

21. The Commission has put forward a proposal for a multi-annual energy programme. In the Government's view, the Community needs now to identify its priorities. In particular:

- The Community needs to implement policies which reduce dependence on imported sources of energy, in particular to develop energy resources in the Community;

- there should be a solid fuels policy for the Community. It should support the development of a viable industry by measures to encourage economic production and use of coal.

The United Kingdom welcomes participation by companies from other member states in the exploitation and production of North Sea oil and gas.

iii. The environment

22. This is an important area for future Community activity. For example:

- the elimination of lead in petrol;
- Community action to control cross frontier trans-shipment of hazardous waste;
- research to solve problems caused by acid rain.

iv. The Common Market

23. The creation of a true Common Market for goods and services is a foundation stone of the Treaty of Rome, but practice still falls well below the reasonable expectations of Community businessmen, who are daily confronted by a range of non-tariff barriers and administrative measures. In the Government's view, a top priority for the Community's development over the decade should be to bring about a genuine Community-wide internal market: this would constitute a drive wheel for Community industry and a powerful measure for wealth creation which would bring about important financial and economic benefits for all member states. The Community should work for:

- liberalisation of transport (particularly air services and lorry traffic);
- a common market for services, particularly insurance;
- simplification of frontier controls;
- elimination of non-tariff barriers to trade (eg through the adoption of European standards);
- further harmonisation of professional qualifications to facilitate free movement of labour.

v. External economic policy

24. The Community needs to make a full contribution towards strengthening the world trading system and increasing trade with other developed and developing countries. It needs to speak with a coherent voice and to work collectively both in defence of its interests where necessary and in tackling the problems of protectionism and indebtedness. It must avoid the temptation to solve its internal problems by increased protectionism. Specifically, the Community needs to:

- implement the work programme agreed at the GATT Ministerial meeting, in particular by opening up the markets of newly industrialised countries to other developing as well as developed countries, liberalising trade in services, and playing a full and constructive part in the Committees on Trade in Agriculture;
- secure action by Japan to open up more rapidly to imports and investment and to prevent the emergence of large current account surpluses;

- deal effectively with the unfair practices of other countries and to defend Community industries in transition (eg steel, textiles and shipbuilding);

- promote greater exchange rate stability and economic convergence to follow up the Williamsburg Declaration;

- develop a Community approach to the protectionist shipping policies of state trading countries and some developing countries;

- ensure that aid to developing countries is used effectively, including a shift in emphasis towards the poorest and away from direct food aid towards the promotion of greater self reliance in agriculture.

Future financing and development of the European Community: British Government ideas

H M Treasury

EC
Budget

The European Council meeting on 18 June 1983 at Stuttgart agreed that broad action should be taken to ensure the relaunch of the European Community. The Heads of Government declared that 'in the course of the coming six months a major negotiation will take place to tackle the most pressing problems facing the Community so as to provide a solid basis for the further dynamic development of the Community over the remainder of the present decade'. It was agreed that the negotiation should cover the future financing of the Community, the development of Community policies, the issues relating to enlargement, particular problems of certain member states in the budget field and in other fields, and the need for greater budgetary discipline. The results of the negotiation are to be submitted to the European Council meeting in Athens on 6 December 1983.

As reported to the House of Commons on 23 June*, the Prime Minister made clear at the Stuttgart Council that the British Government remained to be convinced that there is a case for increasing the Community's revenue resources but agreed to consider the matter provided that agreement was reached on:

- **a lasting arrangement to ensure that budgetary burdens are shared equitably between member states, and**
- **strict budgetary control of agricultural and other expenditure.**

At Special Council meetings in July, August and September, the Foreign and Commonwealth Secretary put forward the British Government's specific ideas for the sharing of budgetary burdens in the Community, a strict financial guideline for agricultural expenditure and the development of Community policies. This article summarises these ideas.

Burden-sharing: a 'safety-net'

There is a wide measure of agreement in the Community that its policies should be developed in the longer term so as to achieve a more appropriate financial balance between member states. The British Government shares this view. In practice, however, it will not be possible to solve the problem of budgetary imbalances totally by this means in the foreseeable future.

In the Government's view, therefore, some kind of 'safety-net' arrangement will be needed in addition to ensure that no member state bears an unreasonable burden. Such an arrangement should be designed to disturb the Community's existing arrangements as little as possible. It should respect the principles of the 'own resources' system** and it should be designed to be applicable to the enlarged Community. A further objective should be to enable those member states bearing the heaviest budgetary burdens to look at proposals for new Community policies on their merits rather than having to oppose them if they would aggravate an already inequitable budgetary situation.

In the Government's view, it should be possible to devise an arrangement which would meet the above requirements and provide a Community solution. A suggested arrangement on these lines is outlined below. It reflects philosophy set out in Sir Geoffrey Howe's Hague speech of June 1981, but it is more modest in scope and concentrates on correcting any inequitable burdens which may fall on net contributor countries by setting appropriate limits, based on relative prosperity and gross domestic product (GDP), on the net budgetary burdens that *any* member state would be expected to bear. The main elements would be:

- The Community would agree that member states whose relative prosperity in the enlarged Community was below some given level should be net beneficiaries from the budget and not in any circumstances net contributors.
- Above that level, the limit on a member state's net budgetary burden would be expressed as a small percentage of the member state's GDP, the

* *Hansard*: col. 145.
** See *Economic Progress Report*, July 1980, p.7.

percentage being related to the member state's relative prosperity in the enlarged Community.

— Any member state bearing a net budgetary burden of more than its agreed limit would have its VAT payments in the following year modulated and reduced, accordingly, by the amount of the excess.

It would be for the Community to decide what the limits on the net budgetary burdens of member states with any particular level of relative prosperity should be. The Community might agree, for example, that member states with less than (say) 90 per cent of Community average prosperity in the enlarged Community should not be net contributors in any circumstances. At the other end of the scale, the Community might think it reasonable that the most prosperous countries (perhaps those with 140 per cent of Community average prosperity after enlargement) should be prepared if necessary to bear a quite substantial net budgetary burden, provided that it did not exceed some specified percentage, say 0.3 per cent or 0.4 per cent, of their GDP. Between these two points, the limits on net budgetary burdens as a percentage of GDP could rise in accordance with relative prosperity.

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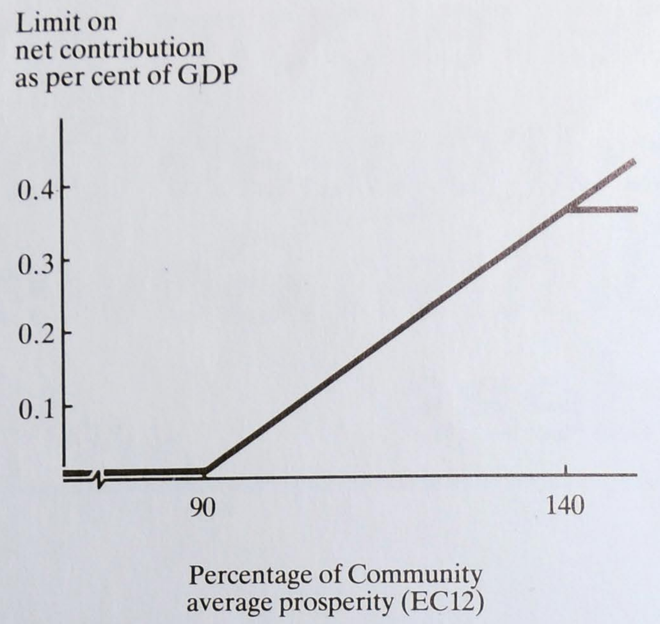
The precise method of implementation would likewise be for decision. But there would seem advantage in retaining a common rate of VAT for all member states and expressing as deductions from VAT the reliefs needed to bring the net contributions of member states with excessive net budgetary burdens down to their agreed limits. The revenue shortfall resulting from these reliefs could be covered by an increased call-up of normal VAT from all member states. Or the extra financing could, if desired, be modulated to take account of existing budgetary burdens and benefits and relative prosperity, with a view to spreading the costs as equitably as possible.

An arrangement on these lines would be guaranteed to solve the imbalances problem on a lasting basis in a manner which was seen to be fair to all and which fulfilled all the requirements listed in the fifth paragraph on page 1. The only member states whose net budget contribution figures would play a critical part in the calculation of reliefs due would be those bearing heavy net budgetary burdens in the enlarged Community. In contrast with the existing refund arrangements, no compensation payments would be made from the Community budget to net contributor countries. The safety-net limits, and the consequential reliefs, would operate only so long as, and to the extent that, the development of Community policies failed to solve the imbalances problem — hence the term 'safety-net'.

Safety-net limits in the enlarged Community: an illustrative example



A strict financial guideline for Common Agricultural Policy (CAP) expenditure

At its Stuttgart meeting in June the European Council declared 'that the CAP must be adapted to the situation facing the Community in the foreseeable future in order that it can fulfil its aims in a more coherent manner' and stated that the examination of the CAP which is now being undertaken should 'result inter alia in concrete steps compatible with market conditions being taken to ensure effective control of agricultural expenditure'.

The European Commission has recommended the Council of Ministers to adopt a guideline that the rate of growth of agricultural expenditure (as an average calculated over a number of years) should remain below that of the Community's own resources. The European Parliament has said that the annual increase in agricultural expenditure must be held at a lower level than the increase in revenue. The British Government has consistently taken the view that the rate of growth of CAP expenditure should be markedly lower than the rate of growth of the Community's own resources. The arrangement for a strict financial guideline described below would, by assisting in the effective control of agriculture expenditure, make an essential contribution to the adaptation of the CAP called for by the European Council. The guideline would not be a substitute for appropriate adjustments to individual commodity regimes but would provide a framework within which the necessary adjustments to those regimes would be made year by year.

The arrangement suggested is that the Community's budgetary procedures should embody a strict financial guideline specifying that the rate of increase in guarantee expenditure by the European Agricultural Guarantee and Guidance Fund (FEOGA) in any year, as compared with the corresponding provision in the original budget adopted for the preceding year, shall not exceed a proportion (the 'given fraction') of the rate of increase in the Community's own resources base between those two years. The size of the 'given fraction' would be for negotiation.

The strict financial guideline would be intended to constrain the two related major annual decisions which the Community takes in respect of agricultural expenditure: the price fixing and the Budget.

Simultaneously with its annual price fixing proposals the Commission would propose, and the Council would decide on, a permitted rate of increase in the amount available for FEOGA guarantee expenditure in the year following the price fixing, as compared with the amount provided in the original budget for the year of the price fixing. The permitted rate of increase, both in the Commission's proposal and in the Council's decision, could be less than, but would not exceed, the rate of increase implied by the 'given fraction'. The Commission's proposals and the Council's and Commission's decisions about agricultural prices both at that and the following year's price fixing, as well as other decisions during the year, would have to be consistent with the permitted rate of increase. What would in practice be needed would be a sustained policy of restraint on common prices, rigorous application of guarantee thresholds to limit the quantity of production to which the Community's guaranteed prices apply and other measures in individual commodity sectors to make the CAP more cost-effective.

The Commission's proposals for FEOGA guarantee expenditure in the Preliminary Draft Budget for the year following the price fixing would have to be consistent with the permitted rate of increase; so would the Draft Budget established by the Council of Ministers. The European Parliament's present power to propose modifications to agricultural expenditure would also have to be exercised under a special procedure which took account of the strict financial guideline.

If the trend of FEOGA guarantee expenditure in any year were to turn out to be higher than expected at the time of the annual price fixing and allowed for in the Community budget, for example because of unforeseen market developments, it would be for the Commission to use its market management powers to reduce expenditure to the extent possible. If such action appeared unlikely to keep expenditure within the permitted rate of increase it would be for the Commission to make proposals to the Council, which might include a review of decisions taken at the price fixing. If, despite such action, an increase in expenditure appeared unavoidable, the Commission could under an exceptional procedure submit a supplementary budget increasing FEOGA expenditure.

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In the Government's view, emphasis will need to be placed on cost-effectiveness and economy. In many cases results can be achieved, without additional Community spending, by greater co-operation between member states to cut out waste and duplication. The availability of resources within the Community budget for new policies will depend on keeping the rate of growth of agricultural spending below that of the Community's own resources.

European industry

In the Government's view, the Community needs to apply itself over the next decade to the development of a vigorous, efficient and cost-effective industrial sector able to compete with the US, Japan and the newly industrialised countries, and capable of creating the wealth on which the future economic, social and political well-being of the Community depends. To achieve this, the Community must:

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— examine critically the administrative and legislative impediments to joint European ventures, risk-taking and investment;
— develop a competition policy which has the positive dimension of industrial development in mind and not solely the possible distortion of competition;
— building on ideas put forward by the Commission and France to examine further the possibility of industrial co-operation between undertakings from a number of member states within the Community framework;
— encourage training programmes for the new technology industries, possibly under the Social Fund.

Energy

The Commission has put forward a proposal for a multi-annual energy programme. In the Government's view, the Community needs now to identify its priorities. In particular:

— The Community needs to implement policies which reduce dependence on imported sources of energy, in particular to develop energy resources in the Community;
— There should be a solid-fuels policy for the Community. It should support the development of a viable industry by measures to encourage economic production and use of coal.

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The environment

This is an important area for future Community activity. For example:

— the elimination of lead in petrol;
— Community action to control cross frontier trans-shipment of hazardous waste;
— research to solve problems caused by acid rain.

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— elimination of non-tariff barriers to trade (e.g. through the adoption of European standards);
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External economic policy

The Community needs to make a full contribution towards strengthening the world trading system and increasing trade with other developed and developing countries. It needs to speak with a coherent voice and to work collectively both in defence of its interests where necessary and in tackling the problems of protectionism and indebtedness. It must avoid the temptation to solve its internal problems by increased protectionism. Specifically, the Community needs to:

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— deal effectively with the unfair practices of other countries and to defend Community industries in transition (e.g. steel, textiles and shipbuilding);
— promote greater exchange-rate stability and economic convergence to follow up the Williamsburg Declaration;
— develop a Community approach to the protectionist shipping policies of state trading countries and some developing countries;
— ensure that aid to developing countries is used effectively, including a shift in emphasis towards the poorest and away from direct food aid towards the promotion of greater self-reliance in agriculture.

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