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Foreign and Commonwealth Office

London SW1A 2AH

28 June 1989

CH.

Dear Charles,

European Council, Madrid

You asked for an early sight of the full record of the Madrid discussions, which UKREP traditionally reconstruct from the Antici briefings, and from the Foreign Secretary's notes.

- / I enclose the record of the first day's discussion. This may still be subject to slight amendment as UKREP double-check all their sources. In the time available, they have not yet been able to produce a text for the
/ second day. The attached reporting telegram (Madrid 645) contains a general report of the second day.

Jas.
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

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This full
word is
much better
than the
shortened
version

Pl. file

EUROPEAN COUNCIL: MADRID: 26/27 JUNE 1989 - DRAFT RECORD

Morning Session 26 June

1. The meeting opened with the usual speech by the President of the European Parliament. Lord Plumb concentrated on the main subjects on the agenda - EMU and the social dimension - but referred also to the success of the co-operation procedure and to the Parliament's intention to produce proposals on the future development of the Community. Gonzalez (Presidency) congratulated Lord Plumb on his leadership of the Parliament and, after Lord Plumb had departed, invited the meeting to discuss economic and monetary union (EMU).

EMU

2. Delors (Commission) said that his Committee had quickly agreed on the method to follow. They had defined the final stage of EMU and then considered the institutional implications and how to get there. There was nothing sacred about a three-stage approach: one could equally well say there should be two or four. The final stage, once achieved, would lead to basic changes in the Community's economic situation with greater competitiveness, increased growth and higher employment. The basis of EMU was monetary stability and this was a logical consequence of the single market. It would in turn increase the potential for economic and social cohesion. The Committee had come to the conclusion that monetary union was a precondition of economic union and that progress on the two must be made in parallel. The basic concept of EMU had been spelt out in the Werner Report. He went on to emphasise the importance of subsidiarity. Member states would wish to retain monetary and economic policies in their hands and compulsory rules should be kept to a minimum. But the extent of budget deficits would need to be governed by compulsory rules. One problem was that the Community's budget amounted to only 2.5% of Government expenditure so there was a limit to what the Community could do to support development in particular parts of the Community. A system of European banks was required for monetary union but national reserve banks should be left room for manoeuvre. The new institution should be independent of national authorities. Its objective should be the creation of monetary stability. A decision should be prepared by an inter-Governmental conference (IGC). As regards the process for reaching the third stage, this should be gradual and pragmatic without strict deadlines and each stage should be decided by the European Council. What was needed today was political commitment to give momentum to the process. Turning to stage one he said that his Committee had considered the idea of a European Monetary Fund to deal with external problems in parallel with national banks. But the Committee had rejected the idea and had preferred to adopt "an institutional" approach. There would be a learning process and precise proposals could be made by the EcoFin Ministers and the Committee of Bank Governors. Much would depend on the economic situation. But there must be a clear

political commitment to the process, accepting that there would be flexibility over deadlines. The European Council should recommend the holding of an IGC and the starting of stage one on 1 July 1990 when the liberalisation of capital movements came into force. Gonzalez recalled that there was already agreement on the objective of economic and monetary union and suggested that discussion should concentrate on procedures, in particular the evaluation of the Delors Report, the decision on stage one and the link with later stages.

3. Lubbers (Netherlands) broadly supported the analysis in the Delors Report including a stage by stage approach. The principle of subsidiarity was important. Community competence should not be handed over unless the need for it was proved. Only if better results could be achieved at Community level should we accept Community competence. He agreed with Delors on the need for parallelism between economic and monetary union. But we should see how much convergence between member states' budgetary policies was needed and only insist on this to the extent necessary.

4. Kohl (Germany) said there were high expectations about EMU. Public interest in 1992 had had an effect in terms of levels of investment. We must send a message that we intended to complete 1992. The Delors Report was his starting point. We should confirm the objective of EMU in accordance with the Single Act. The Delors Report, which had been approved by unanimity, implied a single process and he supported paragraph 39. The first stage should start on 1 July 1990 and all currencies should be included in the EMS. A mandate should be given to EcoFin, the Monetary Committee and the Economic Policy Committee to prepare a decision on the first stage and to prepare concrete proposals for the second stage. These proposals should be considered by an IGC under Article 236 of the Treaty which should start within a foreseeable time.

5. Sartzetakis (Greece) said this his presence at the European Council was due to the exceptional situation in Greece. What he would say was supported by all political forces in Greece, with some nuances. The European Election results meant that it would be necessary to strengthen the European Parliament and to accelerate progress towards 1992. EMU was a necessity to which we were all committed by the Single Act. Europe's role in the world would be strengthened. He could not imagine a single market without a single currency and a central bank. The Delors Report was balanced and reasonable. He agreed with the staged approach but there should be some flexibility. The European Council should set a date to start stage one but decide later on stages two and three depending on the outcome. There should be parallelism between economic and monetary union. But an increase in the structural funds would be needed before the beginning of the second stage. The Community budget was inadequate and changes were needed to permit transfer of funds to less developed regions. They should also allow the possibility of help for balance of payments problems during the transitional period. Greece would need flexibility over the entry of the Drachma into

the EMS. We should prepare the first stage and think about the rest. The Treaty would need to be revised and there would have to be a central bank system whose powers would need careful study. The aim should be to develop a European economic space and to create a Community Reserve Fund which could intervene at the request of a member state. Greece would examine the Delors proposals on the economic side, dealing with budgetary and macro-economic problems. New institutions were needed but national prerogatives should be remembered. The process of democratic control should be enlarged.

6. ⁴ Schluter (Denmark) welcomed the entry of the Peseta into the EMS. He thanked Delors for his report and emphasised the importance of progress in this area. We should concentrate on procedure and start work soon. The final objective had already been agreed but the Council should consider the measures for achieving it. He could not agree to paragraph 39 without all the details of the later stages having been negotiated in advance. The Committee of Central Bank Governors and the EcoFin Council should be given a mandate to start work immediately. EcoFin had already agreed that work should be started on stage one. It should also clarify stages two and three. There should be discussion on when a decision on an IGC should be taken. He was in favour of deciding on it in due course.

7. ⁵ Martens (Belgium) congratulated Delors on his unanimously adopted report and recalled the Hannover commitment to EMU. Concrete progress was now needed. He supported the principle of a staged approach. The Report should be taken as a whole - it was an important step towards European union. The European Council could not afford to have a failure on this subject - progress must be 'a douze'. He recalled the success of the internal market and the EMS and underlined the benefit for the Community of having a greater monetary weight in the world. This would make the Community more competitive. The European Council must create the momentum for an immediate start on stage one. He referred to paragraphs 51 and 52 of the Delors Report. The Commission should establish an indicative list of measures to be considered by an inter-Governmental conference. The European Council should hear a report on these two points in December. Stage one should start on 1 July 1990 and the principle of an IGC should be agreed. Work should be started taking account of the position of some member states.

8. ⁶ De Mita (Italy) said Hannover had already agreed on the principle of a common monetary space. What was needed was decisions on procedure. The Delors Report had set out the process and we must avoid going back on a report approved by twelve Central Bank Governors. It is not necessary to define the stages today but we should decide on the objectives and agree on procedure, as described in the Delors Report. There was already agreement on the first stage. This was the starting point. We should agree to hold an IGC without setting a date. Further work was needed on some aspects of the Delors Report. The Community must not limit itself to the single market but must go on to EMU and increase its weight in the world. This would be an important

accelerator towards political union. The lack of interest in the European Parliament elections was the fault of national Governments who had not sufficiently highlighted the attractions of EMU.

9.7 Cavaco (Portugal) said EMU was important for the future of the Community. It should be seen as a whole and as a part of European union. He agreed in principle with the Delors Report but there were some elements lacking. The process of moving to economic and monetary union must be accompanied by certain guarantees, in view of the financial and social consequences which would flow from it. There must be a means of transferring resources to the poorer countries. Otherwise there was a risk that there would be flows in the opposite direction. There was a need for compensation so as to produce a balance and a symmetrical development. The mechanisms needed to realise EMU would mean some loss of national autonomy. All member states should be treated the same in EMU. The Delors Report implied monetary federalism. Was this compatible with a small Community budget involving only 2% of GNP? The Community budget should be given the means to re-establish balance. In sum he accepted the principle of EMU but the conditions which would avoid destabilisation in certain countries must be further defined. The aim should be stability in all member states.

10.8 The Prime Minister recalled the UK's support for monetary co-operation and the freedom of capital movements and a wider market for the ecu. We were in favour of the abolition of exchange controls. The Hannover European Council had agreed that there should be concrete stages leading to the progressive realisation of EMU and we should be pragmatic. The Delors Report was right to go for a staged approach and the analysis was valuable. It brought out the fundamental implications of stages two and three. We were ready here and now to make an early start on stage one with effect from 1 July 1990. She welcomed the Delors Report's call for a single Community financial area and for the completion of the single market together with the strengthening of Community competition policy. In some respects she hoped the Community would go further in stage one than the Delors Committee had recommended, for example in the use of the ecu. As regards the ERM, she said that had sterling been included at the time it was in effect a petro-currency, the result would have been damaging for the ERM. She had always made clear that we would join the ERM when the time was right but this would have to be carefully judged. She could re-affirm the United Kingdom's intention to join the ERM in conditions which would strengthen the ERM. The timing would depend on progress in the UK against inflation and progress in the Community on a single market and particularly on the abolition of exchange controls. The timing was for HMG alone. Turning to the later stages, we had serious difficulties with some aspects. EMU implied an enormous shift in the control of economic and fiscal policy which would not be acceptable to the British Parliament. She thought others would have similar problems. We, and it would seem others, had great difficulty with the report's treatment of fiscal policy. Control over budgets was the exception rather

than the rule even in federal states. She was also sceptical of the idea of massive subsidies for the periphery. Market forces should be left to get rid of differences in competitiveness. There was also a problem of democratic accountability. These were illustrations of the kind of issues which needed to be addressed. We should consider whether other models of economic and monetary union were possible. We should endorse the conclusions of Finance Ministers who had agreed to undertake preparations for stage one as a priority task. This should be done as a matter of urgency. We should agree that the Delors Committee Report had been valuable, that the long term arrangements needed further study but that their recommendations for early action should be implemented.

11.⁹ Haughey (Ireland) strongly supported EMU. He accepted the process spelt out in the Delors Report. He agreed on the need for a balance between economic and monetary union. The European Council should give the process political impetus. He was in favour of holding an IGC but it must be properly prepared. To be meaningful it must take account of the problems of poorer and peripheral regions. Cohesion could only be promoted if regional divergences were diminished.

12.¹⁰ Santer (Luxembourg) thanked Delors for his report and expressed support for a single currency. The Delors Committee Report was a continuation of the report by M. Werner. Both remained valid and the Council should give momentum to the process. In the monetary field, the framework of EMS already existed. The budgetary side needed to catch up. He was prepared to support the principles of the Delors Report. The European Council should agree on stage one but should not convene an IGC until there was a homogeneous basis for a conference. We should agree on stage one and on the definition of the objective but should study further the Delors Report and other possible alternatives.

13. Mitterand (France) recalled recent progress in the Community including decisions on agriculture, research, the internal market, the social field, the lingua programme and external relations (GATT, Eastern Europe, Middle East). He congratulated the Spanish Presidency on their achievements. We must now go further. We were halfway to 1992 with only three years to go but we must all work together, as agreed in the SEA, for political as well as economic objectives. We were committed to a certain vision of Europe and must decide whether we still wanted it and when. Procedure must be agreed but should not alter the substance. The Delors approach was good and the debate should not be too difficult. A deadline already existed and if we missed it we would not get the Europe we wanted. But a first stage without a second stage would be pointless. We must go further than a deadline for the first stage. Stage two must follow. There must be no failure in Luxembourg and a further deadline should be decided now. He recalled that the Community had not failed in Milan when, as now, failure was expected.

14. Gonzalez thanked speakers and said he would prepare oral conclusions to present after lunch. Political agreement was close and he hoped to finish EMU in an hour and a half after lunch.

Afternoon Session, 26 June

15. Gonzalez said he thought agreement could be reached on the basis of four fundamental points:

- a. The European Council would ratify the objective of EMU as decided in the Single Act and the Hannover conclusions;
- b. We would accept the Delors Report as the (or a) basis of an overall process by stages towards EMU. We must move toward economic and monetary union in parallel;
- c. We should decide to start the first stage on 1 July 1990. EcoFin should be instructed to make the necessary preparations;
- d. Some delegations thought it desirable for an IGC to be summoned to prepare the second and third stages. Others preferred to give a mandate to the competent organs of the Community to make the necessary preparatory studies in advance of the IGC.

16. Kohl said he agreed to the first three points but (d) was not clear. In his view the European Council should give a mandate to the competent authorities (EcoFin, the Foreign Affairs Council, the Bank Governors, the Monetary Committee, the Economic Policy Committee and the Commission) to put down concrete proposals for the second phase and to take decisions on stage one. The IGC should start work as soon as stage one had started and once the necessary work on stages two and three had gone far enough to serve as a basis for the conference.

17. The Prime Minister said she was not happy with point (b). She thought that the Delors Report was better described as "a tool for further work". The reference to "a step by step process leading to EMU" could be read as implying a transfer of fundamental sovereignty which she and many others, could not accept.

18. Gonzalez said Kohl had correctly interpreted one of the two alternative positions he had described in point (d). But President Mitterand wanted to hold an IGC now. He referred to paragraph 64 of the report. The Prime Minister said she was concerned about paragraph 64. Many member states did not accept stages two and three because of the massive transfer of sovereignty involved. We wanted work done on other ways of achieving EMU and could not accept the report as the basis for further development. She was not alone in thinking that total inflexibility in the ERM would be harmful for a number of people. More work was needed.

19. Kohl repeated that he accepted the first three points but that on the fourth point the appropriate body should take decisions on phase one and should make concrete proposals for phases two and three. We should not be asked to buy a pig in a poke. When the work in hand was finished we would go on to the next stage.
20. The Prime Minister said more work was needed but not on the basis of Delors' stages two and three. Other ways of achieving EMU must be considered. The Delors Report involved a transfer of sovereignty. How could we go ahead with a conference until the further work had been done?
21. Lubbers welcomed the Presidency's four points and suggested adding to the second the statement that the appropriate decisions would be taken, taking account of the need to keep a larger margin of autonomy in each member state (than in the Delors Report) in accordance with the principle of subsidiarity.
22. Delors, speaking personally, said that he had never said his report was the bible. He had drawn attention to some weaknesses in it. He could accept Lubbers' suggestion. Subsidiarity was already discussed in his report and the principle could certainly be mentioned. There could be no decision on individual stages unless the whole was considered as a global process. But each stage would not necessarily be exactly as described in the report.
23. The Prime Minister said that since Delors was present as President of the Commission and Chairman of the Committee, he could hardly speak on a personal basis. The report was a reasonable document which could be considered further but she could not support the whole thing, in particular paragraph 39.
24. Schluter said that several member states had doubts about stages two and three. The conclusions must not provide for automatic transition from one stage to another.
25. Haughey said the conclusions must say explicitly that the report was accepted as a basis of work.
26. Gonzalez said that even the author was not claiming that the report must be accepted in toto. What was needed was a political decision on the basis of his four points, which he repeated. Now that the report was on the table we must go beyond the Hannover conclusions and must take a political decision involving the setting in motion of stage one and complementary studies of stages two and three in preparation for an IGC. He agreed to take up the idea of subsidiarity along with the idea of parallelism of progress towards economic and monetary union.
27. Santer said he could accept the Presidency's draft conclusions with Kohl's gloss. He agreed with Martens that the second stage should be defined.

28. Gonzalez said he was ready to accept Kohl's formulation of point (d).
29. Cavaco said he was worried about EMU. The Presidency compromise was acceptable but he stressed that the Delors Report should be accepted as a and not the base for preparatory studies on stages two and three by the appropriate Community authorities. A decision to call an IGC should be taken after these studies. He could agree to the 1 July 1990 start.
30. De Mita said he could accept the Presidency's conclusions provided point (d) was clarified and provided the four points were accepted as a whole. The important thing, as the French had said, was to decide where we were going. He was reluctant to accept the delay in agreement on the IGC but would accept the formulation proposed if all accepted it. It should be agreed that there would be an IGC and that the date would be decided on the basis of the preparatory work.
31. Martens said he could accept the four points with Kohl's amendment. Paragraph 39 was in his view essential. There should be a commitment to the whole process in parallel with the decision for the start of stage one. Otherwise we would never get beyond stage one. Kohl said we must re-affirm the Hannover objective. The question whether the Delors Report was a base or the base did not matter. If anyone had better ideas than were to be found in the Delors Report they could be fed in at any stage. We should set stage one in motion and instruct the competent bodies to produce concrete proposals for stages two and three with an IGC only after the start of stage one and when preparatory work was sufficiently advanced. Otherwise there was a risk of a serious failure. After two years of "Euro-sclerosis" we must not be afraid to grasp the nettle.
32. Schluter supported Kohl. There should be a careful study of stages two and three. The Delors Report was not the only model.
33. Lubbers said the Presidency text should include the words "on condition of verifying, stage by stage, that the principle of subsidiarity is respected".
34. Sartzetakis said he could accept the Presidency conclusions and the Kohl amendment. There should however be a reference to accompanying policies.
35. The Prime Minister said that EcoFin had agreed that the Delors Report was a valuable basis of work and we could agree to this description. We could also agree that further work should be done on later stages. But we could not agree to go further until we had seen the results of this. She would need to see the draft conclusions in writing before taking a final position on them.
36. De Mita said that if the Kohl formula was adopted and stage one only accepted, the goal of EMU must be accepted.

37. Gonzalez said he could accept Kohl's formulation of point (b). He could also agree to take account of Lubbers' comments on subsidiarity and the point raised by Sartzetakis and Cavaco. It was pointless to worry about "a base" or "the base". We should draft round this point. There was no need to mention paragraph 39. A written text of conclusions would be presented which would: repeat the intention to proceed to EMU, note that there was a basis for work by experts, agree to begin on the first stage and agree to set in hand preparatory work for later stages requiring Treaty change. It would be up to later European Councils to decide when the work had gone far enough to convene an IGC.

38. Mitterand said there was a risk of the discussion going back to zero. The Delors Report should be the basis of discussion. The Hannover conclusions were agreed. If some member states did not want EMU, they should say so now. We could not go ahead if some accepted the Hannover conclusions and others did not. It was not acceptable to go for stage one only. This was a single process and stage one should lead to the general objective. It must be accepted that there would be second and third stages. We could not identify the contents now because this would depend on future decisions, for example on the IGC which would prepare revisions of the Treaty. He would not refuse to compromise but the idea of an IGC could not be left in the far distance. We must agree on the principle of an IGC but not the substance. He could accept the idea of subsidiarity but it should not be regarded as a general principle or we would be going back 15 years in the history of the Community. Sovereignty had been given up ever since 1957. We should agree: to work on the basis of the Delors Report, that Hannover was an *acquis*, that the first stage should start on 1 July 1990 and that there would be two more stages; and that there would be an IGC to revise the Treaty.

39. Gonzalez said a text covering the four points and including the points made by Kohl and Lubbers would be circulated overnight.

Social Dimension/Internal Market

40. Delors said the work on the internal market was going well and would lead to a major advance in the Community like that in Germany under Erhard. Thirty two texts had been adopted under the Spanish Presidency and half of the required decisions had now been taken. Progress had been made on financial services, but an effort was still needed on insurance. Progress had also been made on public procurement and technical standards. There remained work to be done on a number of fields including tax. On audiovisual he would like to see progress on HDTV and on the Broadcasting Directive which should be adopted before the September deadline. He also supported the audiovisual Eureka. On physical frontiers, the Co-ordinators Group had done well and should be instructed to continue the good work. Some important decisions had been taken on the environment including small cars and the London and Hague Conferences. The European Environment Agency was intended to collect existing data and give scientific

opinions about the environment. It would not have a control function. It would be open to the EFTA countries. Turning to the social dimension he recalled that this was based on a series of articles in the Treaty of Rome. It was nothing new. The implementation should respect subsidiarity and the diversity of practices in member states. Under his Presidency no proposal had been presented which interfered with sovereignty. His priorities were the fight against unemployment and cohesion. Two million jobs had been created. The structural funds proposals were being implemented. Another important aspect was the social dialogue which was useful at the Community level to keep the unions in line on the single market. The dialogue involved such subjects as continuous professional training to make the market more flexible and the prospect of a single labour market especially for the highly-qualified. On the Social Charter, the Community must re-affirm its basic values. This would be important, for example in relation to the Poles and Hungarians. It should not involve any change in the balance of powers between member states and the Community. Subsidiarity should be respected, but the Charter would have great political and symbolic value. It was limited to the area of work (and did not include eg family questions). The conclusions, supported by 11 Social Affairs Ministers, were useful.

41. Andriessen (Commission Vice-President for External Relations) recalled the increasing interest of third countries in the single market. 1992 had increased the Community's prestige and self-confidence. But we must exercise greater responsibility in respect of developing countries, in particular the ACP, Latin America, and Asia and in the field of debt. In the Uruguay Round the Community had made it clear that we wished to be partners, not fortress Europe. We had played a positive role in the MTR. In the US the campaign against fortress Europe was weakening. The US had become more open to the Community as made clear by President Bush's speech in Boston. Some short term problems remained however. The single market was particularly important for the EFTA countries who were starting to look for a more institutionalised relationship. But they were split and we could not be sure of the result but the Community would have to consider whether we were ready to co-operate with them at an institutional level. There had also been important progress in relations with the East European countries. He referred to the Co-operation Agreements with Poland and the USSR. The Russians attached an enormous importance to this negotiation as he had discovered during his recent trip to Moscow. These developments underlined the need for coherence between Community activities and European political co-operation.

42. Gonzalez said that there was only one hour left to discuss the single market, the social dimension and external relations.

43. Lubbers congratulated the Spanish Presidency on their achievements but said that there had been delays in some areas. He cited road transport, especially cabotage and the excise duty on diesel. These points should be covered in the conclusions. On the Social Charter, his views were close to those of the

Commission. The Charter should provide for minimum rights and the question of third country immigrants should not be forgotten.

44. The Prime Minister emphasised the need for more progress on air transport and on road cabotage. There was also a need for progress on freedom of establishment for investment services and insurance as well as on standards and certification and the freeing of public procurement. We must also remember the importance of implementation. There was a risk that some member states would by 1992 have failed to bring the number of agreed Directives into force. We must intensify the fight against state aids. There must be no delay in liberalising capital movements. On the Social Charter she said that each country had its own social policies even if there were common elements, such as the wish to reduce unemployment and improve the quality of life. The adoption of a Social Charter would be used as a basis for proposing Directives. There were some points in the draft which were in direct contradiction with our social legislation. The Council of Europe Charter was a good text. It was preferable for each member state to deal with such matters as the handicapped, the retired and the sick by its own methods. She was opposed to the setting of a minimum wage. It was better for people to work and, if they could not earn enough, to have some compensatory payments depending on family size. A minimum wage would act against the mobility of the labour force. Social action should respect the principle of subsidiarity. Each country had a different history and we should not seek to impose an identical system on all. This would be artificial. She wondered why the proposed charter contained rights but no obligations. The approval of this document would send the wrong signal to public opinion.

45. Cavaco said there had not been enough progress on free circulation of people, particularly the right of residence. The Co-ordinators Group had produced a good report but there appeared to be distinctions between those member states which had signed the Schengen Agreement and the rest. The Social Charter was needed to balance the drive for the internal market. We must not forget the problems of those migrant workers who were nationals of member states. The Charter should be based on a progressive approach, bearing in mind the different conditions in each member state.

46. Martens said the internal market meant that there would be some losers and solutions were needed for them in the context of the Social Charter. Subsidiarity must be respected. The Commission should, as they had proposed, have contacts with member states and the social partners before asking the Council to adopt the solemn declaration. Its value would be political and symbolic and it could be followed up in certain areas such as part-time working and maternity leave. Migrant workers should not be left out. On the Broadcasting Directive, Belgium's opposition was based on a number of general arguments. The lack of a system of quotas meant that there would be no guarantees. Broadcasting companies should be asked to contribute financially.

47. Sartzetakis said the social dimension was important. A social space was essential for the single market. The Charter should not be considered as interfering with the labour market. The single market was a method of achieving prosperity for all, based on our common values. The charter would be a guarantee for all that they would benefit. All levels should be taken into account since their support would be needed. The Commission's draft was balanced and it was important to create a common Community identity. Basic social rights should be converted into obligations for each member state and the Commission should present an action programme. The ideal of a united Europe with common social factors arose from our cultural heritage and presented the human face of the Community.

48. Kohl said he supported the French proposal for an audiovisual eureka. But the inclusion of quotas in the Broadcasting Directive was not reasonable and would create conflict with the US. We needed the support of the US on HDTV. On the social dimension we needed agreement with our social partners. He supported the conclusions of Social Affairs Ministers. We should concentrate on the rights of workers and continue discussion with the social partners. He agreed with the Prime Minister on the importance of national differences. But he saw no objection to a catalogue of the principal rights such as collective bargaining, minimum working age, holidays and flexible working. The Commission should continue its discussions but should avoid political slogans. He was against a centralised approach but we should adopt a common minimum standard.

49. Santer said that the social dimension was crucial for social cohesion. A solemn declaration would be a step in the right direction. He was in favour of binding minimum standards but we must avoid too much regulation. We should identify the measures for a common policy and institute some approximation while avoiding over-regulation.

50. Haughey agreed with the Prime Minister on the need to liberalise air transport. It was important to keep a balance between economic and social progress. He was in favour of progress on the social dimension and the social charter was acceptable provided it took account of each member states' traditions and differences. He agreed with the proposal for a European Environmental Agency. Much progress should be possible on the environment as the European Elections had made clear.

51. Gonzalez said it was difficult to draw conclusions but he was grateful for the tributes to the Spanish Presidency. Not much progress had been made on fiscal matters or the elimination of physical barriers. We must fulfil our commitments in these areas. But the internal market was being achieved and did have a social impact. We must make sure it led to the creation of new jobs. The social dimension was not limited to the Social Charter and the social dialogue was also useful. We should issue a clear signal that we wanted progress on the draft social charter. We should also make clear that it should respect the diversity of national practices as well as the common elements. He hoped that

the agreement of 11 Social Affairs Ministers could be converted into agreement of 12 at the European Council. As regards the Broadcasting Directive it was important to keep up the momentum and to try to reach agreement in September. We should welcome the French proposal to hold a conference on audiovisual matters. The conclusions should include a paragraph on the environment which would cover the European Environmental Agency. This would be discussed tomorrow. On the social charter, he did not expect approval of the Charter but acceptance of the principle. This would be a major step.

52. Lubbers repeated the need for more progress on transport.

53. The Prime Minister said she had a lot to say on the social aspects but would leave it for the time being.