Foreign and Commonwealth Office

London SW1A 2AH

6 December 1989

Dear Charles,

European Council, Strasbourg

I enclose three papers which will be on the table at Strasbourg.

(a) Council Secretariat Paper on "People's Europe"

This report, which responds to a remit from the Madrid Council, is a factual account of recent activity in the "People's Europe" area. There is welcome recognition that measures such as abolition of exchange controls, mutual recognition of qualifications, abolition of fiscal frontiers and the liberalisation of the insurance market make a direct contribution in this area. The section on culture focuses on recent audiovisual developments and the October Paris Conference, whose outcome we welcomed. But the report also refers, again briefly and factually, to EC activity, eg the proposed Social Charter and the tobacco directives, which we oppose. It also refers to the draft Rights of Residence Directives, on which discussions covering both the legal base and the question of adequate resources are continuing.

We expect no substantive Strasbourg discussion of this paper, though the Presidency are likely to propose Conclusions on some aspects of "People's Europe".

(b) Commission note on Audiovisual Cooperation

This Commission note suggests various initiatives on "audiovisual cooperation", including continuing discussions on copyright, competition, and abolishing barriers to distribution; and an action plan to promote the European HDTV standards. It acknowledges that Community action cannot directly support production activities, but suggests that the MEDIA (Measures to Encourage the Development of the Industry of Audiovisual Production) programme can help indirectly, eg over training and distribution, acting as a catalyst for private investment. The Commission envisage quadrupling the 1990 level of MEDIA Funding (12 mecu).

Any spending programme on this scale would be difficult to contain within the Financial Perspective (Brief 2N). Both Delors and the EP have made clear that they wish to see an increase in the Perspective to permit higher spending on audiovisual programmes. If funding were discussed at

Strasbourg, it would be as well to emphasise the need to respect the existing Perspective - the only amendment we believe would be in order concerns aid to Eastern Europe.

(c) Commission Paper on relations with Mediterranean Countries

This paper usefully highlights the striking demographic facts that, whereas by 2025 the EC population will still be some 320 million, the population of countries on the Mediterranean's southern shore will have doubled, to 400 million. Its general approach, that the EC should help these countries help themselves, is the right one. It correctly underlines the importance of free market policies in overcoming their economic problems, and puts forward practical solutions (such as the provision of technical expertise and promotion of investment). However, the paper leans heavily towards EC increased aid, whereas it says little about measures aimed at increasing trade: Southern EC member states are resistant to further liberalisation of trans-Meditterranean trade. The Presidency may try to secure general endorsement of the paper's analysis and recommendations. We would prefer a remit for further study; and a defensive line is included in Brief No 2L.

Yours,
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

EUROPEAN COMMUNITIES
THE COUNCIL

Brussels, 5 December 1989
10379/89

RESTRICTED

REPORT by the General Secretariat of the Council

Subject: A PEOPLE'S EUROPE

1. Introduction

Further to the conclusions of the Madrid European Council, this report, which was drawn up by the Council Secretariat at the request of the Presidency, reviews the progress achieved in building up a people's Europe.

2. General observations

The idea of "a people's Europe" embraces a large number of Community actions which share the common aim of making the citizens of the Member States actively aware that they belong to a common economic and social unit.

A review of the sixty or so concrete proposals drawn up by the ad hoc "ADONNINO" Committee in 1985 paints an encouraging picture: two thirds of those proposals have already been implemented, and the next section of this report covers the most important of them.

But it must not be forgotten that very many actions taken by the Community in a whole series of other areas (eg air transport, legislation on animal and plant health, environmental protection, consumer protection, freedom of establishment for financial services, measures to support small and medium-sized undertakings, health and safety at work, etc ...), even though they would seem to lie outside the strict scope of the ADONNINO report, each make an important contribution - directly or indirectly - to the

well-being of the European citizen.

Similarly, the discussions culminating in the draft Social Charter were set against a backcloth of membership of a community based on common values as regards the fundamental social rights of its citizens.

3. The experience of the last few years

a) Free movement of persons and their property

As a result of the impetus given by the Rhodes European Council, considerable results have been achieved on the vast complex of questions relating to the "free movement of persons" (an area given priority by the ADONNINO Committee); they form the subject of a separate report to the European Council.

As regards the "free movement of property", although much still remains to be done, the Council has spared no effort in adopting a whole series of measures in line with the ADONNINO report. These include the 1986 Resolution on a new form of signs at "internal" Community frontiers, the Regulation adopted last year on the abolition of certain customs exit formalities and the increase to 390 ECUs in December 1988 of the duty-free allowances for travellers (this subject will in future be covered by the in-depth debate on the future system of general indirect taxation currently underway). In addition to those decisions, the Internal Market Council adopted decisions in November 1989 on the elimination of controls performed at frontiers in the field of road and inland waterway transport and on the abolition of frontier transit notes. The important decisions taken in June 1988 on the liberalisation of capital movements and the successful outcome of the work on exemption from tax on the final importation of personal property should also be noted in this context. The recent adoption of a new directive on third party liability

insurance for cars will also have the effect of facilitating movement within the Community.

b) Right of residence and special rights

It is likely that agreement will soon be reached on the "right of residence" proposal which has been on the table since 1979 and which can be said to be one of the most important elements of the ADONNINO plan.

As regards "special rights", although it has not so far been possible to follow up all the recommendations of the ADONNINO report, it should be noted that an important step forward has been achieved as regards the right of petition. The Council approved a text on 11 April 1989, which then formed the subject of a ceremonial exchange of letters between the Council, the European Parliament and the Commission on 12 April in Strasbourg. In so doing, the Presidents of the three Institutions wanted to acknowledge the right of petition of European citizens and they emphasised the special role of the European Parliament in implementing that right.

c) Young people and education

Considerable results have been achieved in this area, which is also a central element of the ADONNINO plan. Of particular note are the ERASMUS programme adopted in 1987 (which is currently being revised and extended), the COMETT programme which has just been readopted until 1994 and the LINGUA programme. The decision of December 1987 on an action programme for the vocational training of young people and the "YES for Europe" programme (adopted in May 1988) to promote youth exchanges in the Community are also worthy of attention. More recently (6 October 1989) the Council gave political impetus to the work to introduce a "youth card" for young European citizens.

As far as the mutual recognition of diplomas is concerned (an area which was singled out as a priority as early as the Hague European Council of 1986), the directive of December 1988 marks an important success, as it establishes a general system for the recognition of higher-education diplomas awarded on completion of studies of at least three years' duration.

d) Health

The work carried out over the last few years by the Council and the Health Ministers has covered several areas directly related to the well-being of European citizens: the fight against cancer, cardiovascular disease, AIDS and drugs. At its most recent meeting (13 November 1989), the Council approved a resolution and an action programme for the fight against AIDS and also the conclusions on the coordination of action to prevent drug addiction. At that same meeting, in the context of its policy on the fight against cancer, it adopted a common position on the maximum tar content of cigarettes and formally adopted the directive on the labelling of tobacco products.

Let us also draw attention to two other important actions which are a direct consequence of the ADONNINO plan: the "European immediate treatment card" (conclusions of 29 September 1989) and the "European emergency health card" (conclusions of 13 November 1989).

Finally, as regards improving the living conditions of handicapped and socially disadvantaged persons, attention should be drawn to the recent Resolution of the Council and Ministers of Social Affairs (29.9.89) on combatting social exclusion and the conclusions drawn on that occasion with regard to starting work on drafting an overall policy to benefit handicapped persons and the casualties of life.

e) Culture

In the audio-visual sphere - to which the ADONNINO Committee devoted particular attention - the Community has achieved considerable progress in the three areas of technology (decision on the European standard for high-definition television (HDTV), the free movement of televised images (directive of 3 October 1989) and encouragement of production.

The audiovisual conference held in October 1989 at the invitation of the President of the French Republic reviewed all the efforts which have been made and culminated in a "joint declaration on audio-visual Eureka" signed by 26 European states and the President of the Commission. That declaration calls on all parties to cooperate to develop and support the audio-visual sector and advocates setting up a loose structure to implement joint initiatives.

Brussels, 5 December 1989

AUDIOVISUAL/COMMISSION NOTE FOR THE STRASBOURG EUROPEAN COUNCIL

Through the impetus given by the Rhodes European Council, Community action in the audiovisual sector has developed in three complementary and indissociable directions in 1989. In the sphere of legislation, the adoption of the directive on "Television without frontiers" has created an initial framework for the free movement of programmes. In the sphere of technology, the Council has adopted a strategy on high-definition television (HDTV). The Media pilot programme has helped to promote audio-visual works and the Audiovisual Conference, by listening to professional opinion, has provided a means of drawing up a list of outstanding requirements and problems.

The adoption of a "Joint Declaration" by 26 European countries has paved the way for the launching of Audiovisual Eureka.

We should consolidate our achievements and give a concrete shape to our policies in the light of the lessons learned at the Conference by retaining the existing close links between the legislative framework, technological progress and the development of the programme industry. Our aims for 1990 should therefore be as follows:

1. In the sphere of legislation, efforts must continue to finalise the directive and improve the flexibility and structures of the market. As a matter of priority, measures must be laid down on copyright, improving the position of independent producers and abolishing existing barriers between the distribution systems of the various countries.

As regards competition, the rules of the game must be clearly laid down. A system of limiting aid to the

audiovisual sector will provide a means of confirming that such aid is compatible with the Treaty as long as it complies with certain provisions, in particular as regards freedom of movement and freedom to provide services. Similarly, guidelines should be drawn up on combatting abuse of a dominant position, in particular in the field of co-production agreements and film distribution licences.

2. In the sphere of new technologies applied to audiovisual programmes and HDTV in particular, joint action should be taken both in the competent legislative bodies to obtain recognition for the European standard and also to introduce HDTV services. The European Economic Interest Grouping (EEIG) which will be set up in early 1990 will have an essential role to play in this regard. A global action plan should be implemented mobilising all the interested parties in order to promote European HDTV by drawing on the major media events over the next few years.

3. A substantial effort must be made in the sphere of the programme industries in accordance with the recommendations made at the Conference. But a clear distinction must be drawn in this regard between Community action, which will in the main continue as part of the Media programme, and action in the context of Audiovisual Eureka.

- Community action cannot directly support production activities. The Media pilot programme will therefore develop new methods and set up new procedures which will come into play either prior to production (script-writing, training, financial arrangements, ...) or after production (film distribution, encouraging independent productions, multilingualism, ...). The injection of Community funds acts as a lever and precipitates private investment in a ratio of 1 to 4. Projects receiving aid should eventually become self-financing which will enable the Community to cease its financial support.

- Audiovisual Eureka has a structure based on that of Technology Eureka (Committee of Coordinators, Secretariat) to help the professionals draw up and implement transnational projects. Designers, directors, distributors etc from the 26 States which participated in the Paris Conference are invited to cooperate within that framework in accordance with the objectives and criteria of the Joint Declaration.

- The Media programme could be incorporated into the framework of Audiovisual Eureka in several ways: either by extending certain existing initiatives to include non-Community partners or by its involvement in (or even initiation of) certain Eureka projects, such as the development of new technologies applied to programmes.

In order to ensure the effective indirect promotion of these programme industries at Community level, it is essential to mobilise appropriate budgetary resources as part of an action programme over several years making use of the experience gained under the Media pilot programme. The financial input required will probably be an annual sum of at least four times that provided for in the Community budget for 1990.

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC (89) 1961 final

Brussels, 23 November 1989

REDIRECTING THE COMMUNITY'S MEDITERRANEAN POLICY

(Communication from the Commission to the Council)

Redirecting the Community's Mediterranean policy

Current economic and political trends in the non-Community countries of the Mediterranean afford new opportunities but carry also considerable risks which should not be underestimated. The interests at stake on the Community's southern flank call for in-depth political debate.

The momentum gathered by the Community's economic and political development on the one hand and the changes which are taking place in the countries bordering the Mediterranean on the other demand that relations between these two regions be subjected to serious scrutiny.

The aim of this communication is to assess what is at stake for the Community and to propose the guidelines of an overall strategy that the Community should adopt in its dealings with the non-Community countries of the Mediterranean. Naturally the Commission is not setting out here to discuss each of these countries individually, but simply the main thrust of the Community's specific relations with them, or with certain groups of countries.

1. Developments in the Mediterranean

1.1. Figures (see Annex I)

Two hundred million people live in the fourteen Mediterranean non-Community countries (MNC), as compared to the Community's 320 million and EFTA countries's 32 million. By 2025 the Community's population will not have grown, whereas that of the MNC will be nearing 400 million.

Jointly these countries are the Community's third largest customer and fourth largest supplier. The trade surplus in favour of the Community (ECU 5 400 million) is comparable to the surplus registered by the Community in its trade with EFTA countries. MNC provide some 20% of the energy imported by the Community.

Five million immigrants from these countries are legally resident in the Community.

1.2. A deteriorating economy

The overall economic situation of the MNC has deteriorated in recent years owing to the cumulative effect of the following factors:

- fast growing population: 6 million more inhabitants each year;

- inadequate economic growth which makes it impossible to improve the standard of living and reduce significantly the development gap which separates these countries from the Community;

- high unemployment rate (more than 20% of the working population);

- disequilibrium in the balance of payments, caused by the fall in oil prices and the burden of debt servicing (total foreign debt of the area in excess of US$ 190 000 million). Income from tourism and emigrants' remittances - normally items on the plus side of the balance of payments - are two rather unstable sources;

- growing difficulties in the countries of the southern and eastern littoral in ensuring food supplies to a fast growing population (imports of cereals in 1987: 18 million tonnes, equivalent to 12% of Community production).

Finally, it should be stressed that there is one complaint from which most MNC suffer to some extent, and that is a resource allocation mechanism which does not always respond sufficiently to market forces.

Economic reforms have progressed to different extents in different countries, and in some countries their implementation runs up against serious difficulties. In spite of obvious commitment to structural adjustment policies, on the whole serious problems persist, owing to inertia and social and political factors.

1.3. Environmental strain

From an ecological standpoint, the Mediterranean faces very serious problems: marine pollution resulting from the discharge of industrial and household sewage and hydrocarbons; deterioration of arable land (erosion, increasing desertification) and marine resources; inefficient solid-waste management (500 000 m^3 of urban waste each day); air pollution in the urban areas; diminishing reserves of drinking water.

Given the geographical situation, the resources of the Mediterranean Basin are common to the Community and to its neighbours. This is true not only ecologically but for other reasons as well. Thus, 100 million tourists, for the most part European, visit the coastal areas of the Mediterranean each year.

This figure is expected at least to double by 2025. The exploitation of the Mediterranean as a tourist resource imposes further strain on the environment.

1.4. Completion of the internal market

The fact that the MNC sell some 50% of their exports to the Community is enough to show the importance that the completion of the internal market has for them. The single market is causing some concern, notably in view of the anticipated impact of a common policy governing the granting of visas.

The prospect of much closer economic integration between the Community of 1992 and the EFTA countries, and the likelihood that privileged trade links will be established with the countries of Eastern Europe, all contribute to fuel those fears.

1.5. Political factors

Demographic and economic pressures already contribute to the area's marked instability. Repercussions would hit the Community both economically and politically.

For certain Mediterranean countries, the possibility of serious social crisis cannot be ruled out, and on the eastern shores of the Mediterranean the continuing Arab-Israeli conflict adds to the area's overall instability.

Recent developments in several countries, however, show that civil liberties, free elections and political pluralism are being strengthened or restored. These developments, still incomplete in certain countries, have yet to prove their viability and are at the mercy of economic and social instability.

2. The Community and the Mediterranean non-Community countries

2.1. The challenge of a Mediterranean policy

In the Commission's opinion, the key political question is this: can the Community - at a time when it is strengthening its own political cohesion and economic vitality - afford to let such an economic and social gap open up between itself and its southern neighbours?

Sshould it not rather strive to minimize the risk represented by such instability right on its doorstep? Should it not endeavour to support the trend towards economic liberalism and democracy wherever the need arises?

Furthermore, there is the question of the balance to be struck in the Community's relations with the different groups of immediate neighbours (EFTA countries, Eastern Europe, Mediterranean) at a time when the expectations of the MNC are quite obviously influenced by the Community's new developments.

Lastly, the potential gains for the Community should not be overlooked: opening up of trade outlets at a time when competition from other industrialized countries, and even some developing countries, is growing fiercer; security of energy supplies (in particular gas); economic opportunities for the Mediterranean Member States; stability and peace in the whole region.

2.2. Inadequate Community and multilateral arrangements

The Community has agreements with 12 out of the 14 non-Community countries bordering on the Mediterranean (no agreement exists with Albania or Libya). They enjoy (with a few exceptions) free access for their industrial goods and preferential access for agricultural products, and loans and grants from the EIB and the budget. Their relations with the Community have been institutionalized.

Yet these arrangements, set up in the 1970s, were not followed up with the new instruments and procedures that would have made it possible to meet the needs of the 1990s.

Contributions from the Community and the Member States, jointly, account for only 17% of total official funding for the MMC (official development aid and other flows), whereas 48% of these countries' imports comes from the Community.

Multilateral arrangements, of course, have recognized limits. To date, the IMF has implemented programmes in only a handful of MNC. As for the World Bank, its lending programme for the region is substantial. On the whole, the back-up measures to the economic adjustment programmes, needed to stave off social tensions, are often inadequate.

2.3. A strategy for the Community and the Mediterranean

Politically the Community is bound to support the progress towards democracy being made in several MNC. Around the Mediterranean as elsewhere, the smooth operation of pluralist political systems goes hand in hand with economic liberalism. In this respect, the economic reforms which are being implemented in certain MNC are a prerequisite not only for these countries' economic prosperity, but also for their political stability.

From an economic standpoint, renewed growth, improvement of the food situation in certain countries and a steady rate of job creation can be achieved only by far-reaching economic reform programmes, financed on terms appropriate to each case.

Overall, then, the only way ahead is to continue and enhance the economic reform process and ensure that more funds are provided on improved terms to finance the process and economic growth.

The Community and its Member States should therefore continue to support the work of the international financial institutions in defining economic reform programmes with the coutries concerned.

However, in the Commission's opinion, the extent of the structural adjustment needed, the social tensions that result from it and the necessity to bring about economic growth, call for an increase in external funding as a pre-condition for the success of such reforms. This view is shared by the IMF and the World Bank.

Thus, within the context of a strategy to be implemented by the parties concerned, it would be desirable to achieve:

(i) the continuation or resumption of commercial bank lending in those middle-income countries which have managed to continue servicing their debt without rescheduling arrangements;

(ii) the continuation of current experiments to reduce the debt-servicing burden for certain highly indebted countries;

(iii) a substantial increase in the official flow of external finance on suitable terms;

(iv) increased private-sector investment, from both domestic and European sources;

(v) a more effective mobilization of domestic savers' and emigrant workers' savings, to finance capital investment.

The harshness of structural adjustment programmes calls for back-up measures, which may be of two kinds: technical support for adjustment - in the form of consultancy and expert services financed from concessional funds - and appropriate financing arrangements for food supplies, to prevent disruption and difficulties and reduce the social costs of adjustment.

Strengthening of food self-sufficiency, development of small and medium-sized businesses (whether or not in conjuction with European undertakings), and financial institutions, the environment and the development of human recources are among the priorities for investment.

Support for regional integration, both institutionally and in terms of infrastructure etc., is an obvious area in which the Commission can work with the sub-regional groups (Arab Maghreb Union, Arab Cooperation Council) which are currently being established.

Continued access to the markets of the industrialized countries, the Community's in particular, is vital for the economic stability - indeed the survival - of the MNC. In this respect, agriculture and the textile sector are particularly important for these countries, while the necessary diversification of their economies is being carried out.

Finally, without going as far as setting up a new institutional framework, the economic and political dialogue between the MNC and the Community should be strengthened at all levels and in all suitable sectors.

3. Conclusions

The Commission believes that current trends in the Community and the Mediterranean non-Community countries would quickly make a worsening of the economic and social imbalance between the two regions virtually unmanageable.

Owing to its proximity and the volume of trade generated, the stability and prosperity of the Mediterranean region are essential to the stability and prosperity of the Community. In a wider sense, the security of the Community is at stake (local or regional conflicts, political instability, terrorism, drugs, environment).

The Commission considers that it is the Community's duty to encourage the moves towards democracy and political pluralism and the strengthening of market forces now continuing or gathering momentum in the MNC.

Overall, the Commission considers that the relations between the Community and the MNC must be broadened and strengthened to meet the region's political, economic and social challenges, its expectations vis-à-vis the Community and the latter's responsibilities in this part of the world.

The Commission feels action is urgently required and proposes that the Council should organize the Community's approach around a renewed Mediterranean policy. To meet the challenge spelled out above, such policy should comprise six aspects: back-up to the structural adjustment programmes; incentives for private-sector investment; increased bilateral and Community financial support; continued or improved access to the Community market; closer involvment in the Community's progress towards the single market; strengthened economic and political dialogue. The possible outlines for these six facets are discussed further in Annex 2.

Part of this policy would be in place by 1990 and the remainder in 1991, when the majority of the new financial protocols with the MNC will come into force. At this stage, no new institutional arrangements are envisaged.

It goes without saying that this initiative, necessarily general in terms of its political considerations, its objectives and the types of Community operation envisaged, will be adapted to the characteristics of each sub-region and country at the implementation stage and will take availability of funds into account.

The Commission requests the Council to state its views on the Commission's analysis of the situation and the importance it attaches to the strengthening of relations between the Community and the MNC, and to adopt the principle of a renewed Mediterranean policy.

Assuming the Council is in favour, the Commission is ready to flesh out these outlines in an operational document and to provide the basis for a Council decision within a short time.

Annex I

MAIN ECONOMIC INDICATORS FOR THE MEDITERRANEAN NON-COMMUNITY COUNTRIES

	Population (million) 1988	Population (million) 2025	Popul. growth rate	1988 GDP (USD thous. million)	GDP growth rate 1984-88	1988 GNP per capita (USD)
Morocco	23.6	47	2.5	18.4	4.2	500
Algeria	24.1	56	3.1	64.0	1.2	2 500
Tunisia	7.9	14	2.5	10.1	3.0	1 300
Egypt	52.5	99	3.0	28.3	4.6	500
Jordan	3.0	9	3.8	5.0	2.4	1 700
Syria	11.4	37	3.6	14.3	3.5	1 300
Israel	4.5	7	1.6	39.8	2.3	8 500
Cyprus	0.5	0.7	0.7	4.3	5.5	8 000
Malta	0.4	0.5	0.9	1.6	4.0	4 500
Turkey	54.2	90	2.5	61.9	6.5	1 300
Yugoslavia	23.7	27	0.8	53.1	0.9	2 000
Mediter. total	205.8	387		300.8		1 460 (average)
EFTA total	32	30		587.3		
EEC total	323	319		4 142.8		

COMMUNITY-MEDITERRANEAN TRADE, 1988 (thous. million ECU)

	Imports	Exports	Trade balance
Total non-EC	387.0	362.6	- 24.4
Idem MNC	30.0	35.4	+ 5.4
Idem EFTA	90.5	96.4	+ 5.9
Idem East Europe	29.8	20.7	- 4.1
Idem USA	68.3	71.8	+ 3.5
Idem Japan	41.6	17.0	- 24.6

1987 FINANCIAL FIGURES

	Trade Balance mil. USD	Food balance mil. USD	Balance of payments mil. USD	Expat. workers mil. USD	Income fm tourism mil. USD	Net Off. flows mil. USD	Debt serv. as a % of exports
Morocco	- 1 050	+ 202	+ 165	+ 1 011	+ 950	+ 812	33
Algeria	+ 2 413	- 1 728	- 879	+ 522	...	+ 653	55
Tunisia	- 764	+ 10	- 188	+ 354	+ 543	+ 215	25
Egypt	- 5 177	- 4 000	- 1 300	+ 2 000	+ 1 000	+ 513	26
Jordan	- 1 782	- 394	- 352	+ 743	+ 267	+ 15	34
Syria	- 305	- 600	- 530	...	...	+ 287	15
Israel	- 3 803	- 32	- 997	...	+ 1 300	- 28	39
Cyprus	- 777	- 84	+ 92	+ 27	+ 667	...	15
Malta	- 393	- 100	+ 6	+ 30	+ 322	...	2
Turkey	- 3 229	+ 1 071	- 979	+ 2 025	+ 1 476	+ 1 441	34
Yugoslavia	- 1 238	+ 191	+ 1 248	+ 1 000	+ 1 700	- 683	45

Sources: Eurostat, International financial institutions. Figures not available for Albania, Lebanon or Libya.

Annex 2

A new direction in Mediterranean policy

A renewed Mediterranean policy would comprise six aspects or fields, outlined here by way of example:

(i) back-up measures to the economic reform process being implemented by the MNC concerned with the assistance of the international financial institutions. These measures should take two main forms: technical support for the necessary economic, tax and financial policy reforms for which those institutions do not provide concessional financing, and the financing of certain measures aimed at reducing the generally high social costs of adjustment policies, notably in terms of food supplies;

(ii) use of limited budget resources to encourage significant private-sector investment based on both the mobilization of domestic savings and direct European investment. The provision of risk capital, either directly through the EIB or indirectly through specialized financial institutions in the Member States and the EC International Investment Partners, is of paramount importance, as are initiatives to facilitate investment (legislation, mobilization of savings, search for European partners, management training, etc.);

(iii) investment finance on a larger scale, with greater regard for the regions' economic and financial problems. Here, the establishment of small and medium-sized businesses, the environment and regional integration projects (such as communications) are priority areas. The projects and programmes already financed from the budget with the aim of improving food self-sufficiency should be pursued;

(iv) continued access to the Community market, allowing improved access for industrial goods wherever the internal situation permits, and maintenance of traditional flows of agricultural imports in accordance with existing undertakings. Technical support for the improvement of the MNC's export capabilities should be stepped up;

(v) closer and more direct involvement of the MNC in the development of the Community. Here, a programme of measures to inform the MNC about and associate them with certain aspects of the single market of particular significance to them (standards, customs, transports, etc.) and enable them to participate on an ad-hoc basis in certain Community programmes or policies would be particularly useful from a technical point of view and extremely desirable from a political standpoint. Implementing such a programme in the field of human resources (participation by universities, students, researchers and managers in Community activities) is of particular significance for the future;

(vi) strengthening of the economic dialogue already established on an ad-hoc basis with certain countries on agriculture, energy and taxation. Proliferation of such dialogue and its extension to new sectors (businesses, transport, macro-economic policies, emigration, population, environment and others) would play a significant role in encouraging the MNC to adopt a more open economic system. Such dialogue could, in some cases, take place at regional level (Arab Maghreb Union, Arab Cooperation Council).