

EUROPEAN COUNCIL

BRUSSELS, 29 and 30 JUNE 1987

1. The Presidency noted that eleven delegations were able to agree to the conclusions set out in Annex I regarding the guidelines and the work programme on the Commission communication entitled "Making a success of the Single Act".

 2. The European Council adopted the conclusions set out in Annex II on:
 - the system of monetary compensatory amounts

 - the 1987 budget

 - research.
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A N N E X I

MAKING A SUCCESS OF THE SINGLE ACT

At the opening of its meeting the European Council received the President of the European Parliament, the Lord PLUMB who presented the conclusions reached by the Parliament on the future development of the Community.

The European Council then examined the various aspects of the Commission communication entitled "Making a success of the Single Act".

The European Council is aware that the recent enlargement, the 1992 deadline for the achievement of the single market, the undertaking to strengthen cohesion and develop common policies and the signing of the Single Act open up new prospects for the Community. To make allowance for those changes and in order to address this new stage in the Community's development under the best conditions, the European Council feels that a number of concrete guidelines must now be set and a procedure laid down enabling the various decisions required for their attainment to be adopted swiftly.

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COMMON ECONOMIC AREA

1. One of the Community's essential tasks is the establishment of a common economic area comprising the attainment of the single market and economic and social cohesion.

The foundation for this area will be the attainment of an internal market in which goods, persons, services and capital circulate freely. Convergence of the economic and monetary policies of the Member States and in particular the strengthening of the EMS are essential features in this respect.

The creation of the economic area will also require accompanying policies to be developed in order that greater Community cohesion may be achieved on the basis of the provisions of the Single Act.

The creation of the common economic area will bring benefits to all the Member States since it will generate stronger economic growth and create more jobs.

The European Council underlines the importance of the work which has been carried out since the submission of the Commission's White Paper on the Internal Market in June 1985. In order to ensure that the 1992 deadline is met, the European Council requests the relevant Councils to take full advantage of the improvement in the decision-making process now produced by virtue of the Single Act. It requests the Institutions concerned to take the necessary decisions with regard, in particular, to the opening of public contracts, the approximation of standards, the completion of the liberalization of capital movements, insurance matters and the mutual recognition of diplomas and to make swift progress

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with regard to the company law adjustments required for the creation of a European company.

The European Council would like these decisions to be taken with all possible speed and in any event before the end of 1988 so that the attainment of this objective is regarded as irreversible.

The European Council also emphasizes the importance of a common effort in the area of new technologies: in this connection the European Council invites the Council to approve as a matter of urgency the new framework programme for scientific research and development in accordance with the Presidency's compromise.

THE STRUCTURAL FUNDS IN CONNECTION WITH COHESION

2. In confirming the importance of the general objective of strengthening Community cohesion, the European Council is convinced that reform of the Structural Funds must play a considerable part in achieving this objective. It endorses the Commission's approach to ensuring that these instruments are more effective as regards the rationalization of their objectives, the concentration of their action according to Community criteria giving due weight to the backwardness of certain regions or to regions in industrial decline and recourse to the programme method. There would also be a need to provide for a variation of intervention rates in accordance with objective criteria, in particular the degree of prosperity of the recipient State. The European Council requests the Council to examine these questions on the basis of the comprehensive proposal to be submitted by the Commission in accordance with Article 130D of the Single Act.

As regards funding the European Council recalls the undertaking given in 1984 in favour of significant progression in real terms in the appropriations allocated to the Structural Funds. The Commission considers that, in order to meet the specific requirements connected with the recent enlargement and to contribute to achieving the objectives of the Single Act, the appropriations allocated to the Funds must be doubled, in real terms, by 1992. Acting on a Commission proposal in the context of the Community's new financial system, the European Council intends to fix a financial objective for appropriations to the Funds, to be reached in 1992, and will adopt the multi-annual reference framework accordingly, in order to strike a balance between achieving the internal market and strengthening cohesion.

The implementation of all the above measures will make it possible to give a real economic impact to Fund intervention.

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Budgetary discipline and new resources

3. Like the Commission, the European Council considers it essential that a lasting response be sought to the question of the Community's financial equilibrium, on the one hand by providing it with appropriate resources and on the other hand by subjecting the use of these resources to effective and binding budgetary discipline.

Budgetary discipline

4. Parallel to the effort being made by the Member States in connection with their own budgets, the Community must submit the use of its resources to effective and binding discipline. The European Council considers that the arrangements decided upon at Fontainebleau must be strengthened in the light of experience. Budgetary discipline must be applied to all the Community's expenditure, both to payment appropriations and to commitment appropriations. It must be binding on all the Institutions which will be associated with its implementation.
5. As regards NCE these rules involve, in particular, compliance with the provisions relating to the maximum rate. The achievement of the Community's financial objective for 1992 as regards the Structural Funds will be ensured in each budget year by applying Article 203(9) of the Treaty.
6. As regards the agricultural sector, the European Council confirms that EAGGF Guarantee expenditure must not progress at a rate exceeding that of the own resources base.

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The European Council notes that the Council has already adopted various production-stabilization arrangements within the market organizations.

The European Council requests the Council, acting on a Commission proposal, to adopt the additional regulations which will enable the Commission, in the context of the management of the market, to keep the level of expenditure within the budget framework.

The starting base of the agricultural norm must be redefined to take account of the current situation. The effect of exceptional circumstances will have to be better defined and in particular the monetary factor will have to be neutralized in both directions.

7. Generally speaking, the European Council emphasizes that the new budgetary discipline must be implemented in such a way that it does not conflict with the effort made by the Community to achieve a better balance as between the various categories of expenditure.
8. For expenditure as a whole, budget management rules must be strengthened, in particular through a reform of the Financial Regulation.

New resources

9. The European Council considers that the Community must have stable and guaranteed resources enabling it to cope with the consequences of decisions connected with the implementation of its main policies.

The European Council asks the Council, within the programme of work set out below, to adopt the level of the new ceiling of own resources based on a percentage of Community GNP.

The financing system should, as proposed by the Commission, take greater account of the proportionality of contributions in accordance with the relative prosperity of Member States.

The Council will also study the Commission's proposal fixing until 1992 the annual sub-ceilings for own resources in order to consolidate the budgetary discipline rules.

Correction of budgetary imbalances

10. The European Council notes that a decision on the question of the correction will be taken at the same time as the decisions on future funding.

AGRICULTURE

11. The European Council recalls the conclusions adopted by the OECD and the Venice Summit and notes that the direction taken in the proceedings of the Agriculture Council on the basis of the Commission proposals is in keeping with the commitments entered into in those fora. The European Council confirms the need for better adjustment of supply to demand through measures enabling the market to play a greater role. This approach could be supplemented by other measures such as, for example, encouragement of the set-aside of land or more extensive farming.

In view of the repercussions of these measures on incomes, the reforms could be accompanied, in accordance with the Commission proposals, by the grant of direct, selective income support which should be subsidiary in relation to prices policy, have no impact on the level of production and fall within a Community framework.

Implementation of an approach of this kind by the Community and by all the other main agricultural producers could only have beneficial effects in the long term, provided they are balanced, progressive and concerted.

The European Council considers that the completion of the modernization of the common agricultural policy must take into account its fundamental principles, the legitimate interests of farmers, and the Community's external interests, while avoiding any risk of movement towards renationalization.

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Once the decisions on the 1987/1988 prices have been adopted, the Commission and the Council will have to draw up an inventory of the various adjustments made to the common agricultural policy and, on that basis, the Council will adopt the requisite supplementary measures, including measures to ensure that the budgetary discipline is fully observed.

WORK PROGRAMME AND PROCEDURE

The European Council requests the Council, on the basis of the Commission communication entitled "Making a success of the Single Act", and in the light of the guidelines defined above to:

- (1) prepare, on a proposal from the Commission, the binding legal provisions referred to in paragraphs 4 to 8 above to establish budgetary discipline for both agricultural and non-compulsory expenditure. These provisions will include the supplementary measures for inclusion in the common agricultural policy judged necessary in the light of the inventory referred to in paragraph 11;
- (2) prepare a decision on the comprehensive Commission proposal for reform of the Structural Funds including the financial objective for appropriations to the Funds to be reached in 1992 (see paragraph 2 above);
- (3) prepare, on a proposal from the Commission, in conjunction with the above decisions, the level of the new ceiling on own resources for 1992;
- (4) prepare, on a proposal from the Commission, detailed guidelines on the new system of own resources, following the indications in paragraph 9 above, and on the correction of budgetary imbalances.

All the decisions to be taken on the four points above form an indivisible whole.

The European Council will adopt its final position on all these matters at its meeting in Copenhagen in December 1987.

With regard to the new own resources, the legal decision to be submitted for ratification by the national parliaments will have to be definitively adopted by the Council (in accordance with guidelines confirmed by the European Council) before the end of the first quarter of 1988, so that it can be finally approved (after ratification by the national parliaments) before the end of 1988 with retroactive effect as from 1 January 1988.

Pending ratification, appropriate measures will be taken by the budget authority to cover the requirements of the 1988 budget in order to ensure the normal functioning of the Community.

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SYSTEM OF MONETARY COMPENSATORY AMOUNTS

(1) EXISTING POSITIVE MCAs

(a) IMMEDIATE REDUCTION by

- 1 switch-over point
- 0,5 neutral margin point

(b) REDUCTION BY 1 POINT AT THE BEGINNING OF THE 1988-1989 MARKETING YEAR by a reduction in prices in DM compensated for by a GERMAN NATIONAL AID equivalent to 2 VAT points to cease to apply at the end of 1988, but without such aid being linked to production.

(c) Elimination of the balance at the beginning of the 1989-1990 marketing year

(This balance should be minimal and only apply to a few products).

(2) FUTURE MCA SYSTEM

Retention of the switch-over system

(a) As regards "ARTIFICIAL" MCAs

- 25% elimination through reduction in ECU prices, at the beginning of the following marketing year, with the possibility of a compensatory national social aid not linked to production.
- Elimination of 50% of the balance at the beginning of the 2nd marketing year following realignment, with the 1979 Gentlemen's Agreement being maintained.
- Elimination of the remainder at the beginning of the 3rd marketing year following realignment, with the 1979 Gentlemen's Agreement being maintained.

(b) As regards "NATURAL" MCAs

- Maximum 30% elimination at the time of realignment.
- Programme for dismantling the balance in two equal stages at the beginning of the two marketing years following realignment.

The system will be re-examined before 1 July 1988 in the light of a joint report by the Ministers for Finance and for Agriculture.

1987 BUDGET

The Commission submitted a preliminary draft supplementary and amending budget to adapt the budget as adopted.

The Budget Council is requested to prepare a draft budget urgently on this basis.

This budget will be funded by using all available own resources up to the 1,4% VAT limit and by reductions in expenditure by means of measures which do not call into question the implementation of Community policies and safeguard the non-compulsory expenditure currently entered in the budget.

In addition, the EAGGF Guarantee appropriation in 1987 will be honoured by means of an adjustment in the system of advance payments on the basis of a Commission proposal. The details of this adjustment will be laid down before the end of the year. It will be re-examined in connection with the whole body of decisions to be taken with regard to the future financing of the Community.

RESEARCH

The European Council requests the Community Institutions to ensure that the scientific research and development appropriations in the budget for the 1987 financial year can be used for current programmes pending the definitive adoption of the multiannual framework programme provided for in the Single Act.
