

**THE EUROPEAN COUNCIL**

**MADRID  
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Documents in the dossier include:

*European Council: Madrid, 26 and 27 June*  
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*E.C. Summit Brings Agreement on Monetary Union*  
European Community News No. 21/1989  
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Washington DC

*Prospects for the European Council in Madrid*  
Introduction of the Press Conference by Mr. Jacques Delors  
President of the Commission of the European Communities  
Brussels, 23 June 1989

# 1. European Council

Madrid, 26 and 27 June

1.1.1. Under the outstanding chairmanship of Prime Minister Gonzales, this important meeting of the European Council focused mainly on economic and monetary union, and a number of decisive conclusions on this subject were adopted unanimously.

The European Council decided that the report drawn up by the Committee chaired by Mr Jacques Delors<sup>1</sup> represented a basis for further work and launched the process leading to economic and monetary union. The first stage will start on 1 July 1990. The preparations for subsequent stages, which will require an Intergovernmental Conference, will also be carried out. The process started by the Hanover European Council in June 1988<sup>2</sup> has thus achieved its first practical results involving all the Member States.

The European Council's discussion placed the question of the social dimension in the context of the implementation of all aspects of the Single Act, in particular completion of the internal market. The conclusions, unanimously approved by the Member States, form a firm foundation for further work during the French Presidency. The European Council also took note of the majority conclusions reached by the Council (Social Affairs) on 12 June (→ point 2.1.97) concerning the preliminary draft Community Charter of Fundamental Social Rights.<sup>3</sup>

The European Council also confirmed that the environment was a priority issue by calling on the Council to examine as soon as possible the proposal to set up a European Environment Agency (→ point 2.1.114) and by raising the question of the conservation of tropical forests and the problems of Community areas affected by desertification, erosion and deforestation.

The European Council expressed its satisfaction with the progress made on the internal market. In particular, it welcomed the Commission's new approach to the ques-

tion of indirect taxation and excise duty<sup>4</sup> and renewed the mandate which the Hanover European Council had given to the group of coordinators for the elimination of physical frontiers.<sup>2</sup>

On external relations, the European Council's conclusions cover a wide range of subjects, in particular the situation in the Middle East and in China, on which two major declarations were adopted under the political cooperation procedure.

## Presidency conclusions

1.1.2. The European Council, meeting in Madrid, reviewed the situation and the prospects for progress towards European Union.

The European Council welcomed the vigorous turn taken by European cooperation, which had been given a fresh boost by the Single Act, as demonstrated by the Community's greater role in international affairs. The completion of the internal market and the strengthening of economic and social cohesion were the priority objectives of this new chapter in the history of the Community. It also noted the progress made by the Twelve as a result of increasing involvement in world affairs and greater consistency between Community objectives as such and political cooperation.

The third elections to the European Parliament by direct universal suffrage, which took place between 15 and 18 June (→ point 1.2.1 *et seq.*), likewise bore witness to the consolidation of European integration. The European Council considered that the implementation of the provisions of the Single Act had led to a real and appreciable increase in the Parliament's contribution to the Community legislative process. This contribution was now embodied in effective cooperation between Parliament, Commission and Council, developing in a climate of mutual trust. In this connection the European Council heard a report by the outgoing President, Lord Plumb, to whom it paid special tribute. The European Council noted the broadly positive conclusions arrived at by the President of the European Parliament regarding the state of

<sup>1</sup> Bull. EC 4-1989, points 1.1.1. to 1.1.5.

<sup>2</sup> Bull. EC 6-1988, points 1.1.1 to 1.1.4 and 3.4.1.

<sup>3</sup> Bull. EC 5-1989, points 1.2.1 to 1.2.5.

<sup>4</sup> Bull. EC 5-1989, point 1.1.1.

movement of programmes with due regard to cultural diversity, and the promotion of European production.

The European Council noted the substantial progress made in this field with the adoption of a Decision on high-definition television.<sup>1</sup> In view of the above, it invited the Council to continue work on the Directive on the free movement of television signals, with a view to adopting it within the time-limit laid down in the procedure for cooperation with Parliament.<sup>2</sup> The European Council hoped that the forthcoming Audiovisual Conclave would be successful.

### *Free movement of persons*

1.1.7. In accordance with the Rhodes European Council's decision,<sup>3</sup> the Coordinators Group has drawn up a report (the 'Palma document') on the measures needed in different fields in order to achieve progress towards the effective freedom of movement of persons within the Community.

The European Council, feeling that free movement of persons was a priority for 1992, endorsed that document's conclusions, which were largely based on the approach and methods employed in the White Paper on the completion of the internal market,<sup>4</sup> which were of proven effectiveness in this context. It instructed the Coordinators Group, at the instigation of the Council (General Affairs), to spare no effort to ensure that the programme of work proposed in the Palma document was completed as planned.

### **Social dimension**

1.1.8. The European Council considered that, in the course of the construction of the single European market, social aspects should be given the same importance as economic aspects and should accordingly be developed in a balanced fashion.

The European Council reaffirmed its Hanover<sup>5</sup> and Rhodes<sup>6</sup> conclusions on the achievement of the internal market as the most efficient method of creating jobs and ensuring maximum well-being for all Community citizens. Job development and creation must be given top priority in the achievement of the internal market. In this way the Community should create five million jobs between 1988 and 1990.

The European Council noted with satisfaction that the aims of Article 118a were being fulfilled by the adoption of important directives on the safety and

health of workers, leading to an improvement in the quality of the working environment.

The European Council stressed that making the most of human resources through training was a fundamental aspect of economic and social development; it noted the agreement reached on continuing vocational training (→ point 2.1.109). The European Council called upon the Commission, the Council and both sides of industry to expedite the ongoing work with a view to obtaining as soon as possible the mutual recognition of qualifications, full occupational mobility and the implementation of both priority objectives decided upon by the Community Council in Brussels in February 1988,<sup>7</sup> namely the integration of young people into working life and combating long-term unemployment.

The European Council noted with interest the progress made in the social dialogue at Community level pursuant to Article 118b of the Treaty.<sup>8</sup> The internal market must be achieved in a climate of close cooperation between employers and workers so that economic and technical changes take place in a socially acceptable manner. To this end, social achievements must be preserved and economic and social cohesion strengthened.

The European Council also took note of the comparative study on national social legislation (→ point 2.1.101) which it had requested from the Commission in Hanover.<sup>5</sup> It considered that an analysis of the similarities and differences contained in the study would greatly assist the current discussions.

The European Council noted that, at the Council meeting (Social Affairs) on 12 June (→ point 2.1.47), the Commission had submitted a preliminary draft Community Charter of Fundamental Social Rights on which an initial debate had been held, leading to the draft conclusions set out in Annex I (→ point 1.1.14) and accepted by 11 delegations.

The Council will continue its discussions with a view to adopting the measures necessary to achieve the social dimension of the single market, taking account of fundamental social rights. For this purpose the role to be played by Community stan-

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<sup>1</sup> OJ L 142, 25.5.1989; Bull. EC 4-1989, point 2.1.162.

<sup>2</sup> OJ L 158, 26.6.1989; Bull. EC 5-1989, point 2.1.11.

<sup>3</sup> Bull. EC 12-1988, point 1.1.3.

<sup>4</sup> Bull. EC 6-1985, points 1.3.1 to 1.3.9.

<sup>5</sup> Bull. EC 6-1988, points 1.1.1 to 1.1.4 and 3.4.1.

<sup>6</sup> Bull. EC 12-1988, point 1.1.4.

<sup>7</sup> Bull. EC 2-1988, point 1.1.1.

<sup>8</sup> Bull. EC 1-1989, points 1.2.1 to 1.2.7.

dards, national legislation and contractual relations must be clearly established.

The Council, after consulting both sides of industry, should state its position on this work programme prior to the next meeting of the European Council.

## Environment

1.1.9. The European Council welcomed the stepping-up of the Council's activity during the past six months and emphasized in particular the importance of the measures adopted in the areas of ozone layer protection,<sup>1</sup> the greenhouse effect (→ points 2.1.120 and 3.2.1), pollutant emissions from small cars (→ point 2.1.117) and forestry policy.<sup>2</sup>

Conscious of its responsibilities in the face of threats on a global scale (climatic changes, deforestation, desertification, etc.), the European Council considered that the Community had an essential role to play in the protection of the environment, both by means of its internal legislation and by its active contribution to all the initiatives taken at international level.

As part of a global environment policy, including the fight against desertification, erosion and deforestation, the European Council called upon the Commission to submit a programme for the protection of the environment in the regions of the Community affected by these problems.

At the request of the Chancellor of the Federal Republic of Germany, the European Council discussed the vital contribution of tropical forests to the stability of the world's climate and to the preservation of the earth's genetic resources. Aware of the special responsibility of the industrialized countries for maintaining the balance of nature worldwide, the European Council expressed the wish that these questions be dealt with in close collaboration with the countries concerned.

The European Council took note of the recent Commission proposal for the creation of a European Environment Agency open to European countries with the object of providing the bases for the scientific evaluation of ecological problems (→ point 2.1.114). It called upon the Council to examine this proposal at the earliest opportunity.

## Research and development

1.1.10. Given the progress achieved in the implementation of the framework programme of

Community action, together with the work already started by the Commission and the Council on reviewing it, the European Council took note of the Commission's intention to submit a new framework programme for the period 1990-94 (→ point 2.1.49).

This review must provide the occasion to give fresh impetus to action by the Community in this area, which is of capital importance in strengthening the scientific and technological bases of European industry as a whole and increasing its international competitiveness.

## Economic and monetary union

1.1.11. The European Council restated its determination progressively to achieve economic and monetary union as provided for in the Single Act and confirmed at the European Council meeting in Hanover.<sup>3</sup> Economic and monetary union must be seen in the perspective of the completion of the internal market and in the context of economic and social cohesion.

The European Council considered that the report by the Committee chaired by Jacques Delors,<sup>4</sup> which defines a process designed to lead by stages to economic and monetary union, fulfilled the mandate given in Hanover. The European Council felt that its realization would have to take account of the parallelism between economic and monetary aspects, respect the principle of subsidiarity and allow for the diversity of specific situations.

The European Council decided that the first stage of the realization of economic and monetary union would begin on 1 July 1990.

The European Council asked the competent bodies (the Council (Economic and Financial Affairs, and General Affairs), the Commission, the Committee of Central Bank Governors and the Monetary Committee):

- (a) to adopt the provisions necessary for the launch of the first stage on 1 July 1990;
- (b) to carry out the preparatory work for the organization of an Intergovernmental Conference to lay down the subsequent stages; that Conference would meet once the first stage had begun and would be preceded by full and adequate preparation.

<sup>1</sup> Bull. EC 3-1989, points 1.2.1 to 1.2.5.

<sup>2</sup> OJ L 165, 15.6.1989; Bull. EC 5-1989, point 2.1.177.

<sup>3</sup> Bull. EC 6-1988, points 1.1.1 to 1.1.4 and 3.4.1.

<sup>4</sup> Bull. EC 4-1989, points 1.1.1 to 1.1.5.

## *People's Europe*

1.1.12. The European Council considered that, despite the results achieved on certain key dossiers of a people's Europe, progress had been inadequate. It requested the Council and the Commission to take stock of progress in that area and draw the necessary conclusions regarding action to be taken. The Council will report back to the next European Council meeting.

## *External relations*

1.1.13. In keeping with the Rhodes Declaration on the international role of the European Community,<sup>1</sup> the European Council reviewed developments in relations between the Community and a number of its partners.

- The European Council noted with satisfaction the progress made in cooperation with the EFTA countries following the Summit of Heads of Government in Oslo and the joint meeting of Ministers for Foreign Affairs,<sup>2</sup> which were held in March. In this context it emphasized the importance which it attached to the rapid identification of the best ways of developing these relations in a more structured way. It hoped to be apprised at its first meeting of concrete results obtained in the mean time in this area.
- The European Council noted that satisfactory progress had been made in establishing an appropriate policy towards the East European countries ensuring consistency between Community policies and those agreed within political cooperation, in accordance with Article 30(5) of the Single Act. In this context, it noted the progress made towards the conclusion of trade and cooperation agreements with a number of those countries, at the same time emphasizing the common will to contribute to the efforts made, by Poland and Hungary in particular, to open up their economies and put them back on a sound footing.
- The European Council restated the importance it attached to the successful conclusion of the multilateral negotiations under the Uruguay Round,<sup>3</sup> which should make it possible to set up an international system able to meet the challenge arising on a world scale not only for trade in goods but also for services, for the protection of intellectual property and for action on the special situation of the developing countries. It reaffirmed the Community's determination to oppose any recourse to unilateral measures which might jeopardize such an international system.

- The European Council reaffirmed its commitment to a close and comprehensive transatlantic relationship, and noted with satisfaction the cooperation relations which had already been established with the new United States Administration.

- The European Council stressed the importance it attached to the consolidation of the long-established privileged links between the Community and the ACP States. It welcomed the progress made in renegotiating the ACP-EEC Convention and called for the negotiations to be concluded by the end of the year.

- The European Council likewise confirmed the significance it attached to strengthening and extending relations with the countries associated with the Community.

- The European Council paid particular attention to examining the situation of middle-income countries facing the problem of indebtedness. Their situation was extremely worrying, especially in Latin America, where a solution to this problem was of particular importance for the consolidation and strengthening of democracy.

The European Council confirmed that the Member States of the Community had a responsibility to play an active part in finding realistic solutions, in the appropriate forums, given the historical links and the cultural and political affinities linking them with the countries in question.

The European Council and the Member States accordingly confirmed the conclusions reached by the Ministers at the meeting of the Council (Economic and Financial Affairs) in March<sup>4</sup> and stressed the willingness of the Member States to consider solutions involving voluntary reductions in debt and debt servicing, case by case, with the participation of the IMF and the World Bank. It was, however, pointed out that some Member States had recently adopted global measures.

The European Council emphasized that it was not possible to delay a solution to this problem. It called upon commercial banks and debtor countries to evolve the practical mechanisms required for a solution to this matter, which posed serious economic and political problems.

The European Council took note of the Spanish proposal, summarized in Annex II (→ point 1.1.15), to set up a European Guarantee Fund

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<sup>1</sup> Bull. EC 12-1988, point 1.1.10.

<sup>2</sup> Bull. EC 3-1989, point 2.2.7.

<sup>3</sup> Bull. EC 9-1986, point 1.4.1 to 1.4.4; Bull. EC 12-1988, points 2.2.2 to 2.2.4; Bull. EC 4-1989, points 1.3.1 to 1.3.9.

<sup>4</sup> Bull. EC 3-1989, point 2.2.48.

for the purpose of ensuring a special European contribution to the strengthening and balance of the international effort in this area. This proposal will be examined by the Council (Economic and Financial Affairs).

## *Annex I*

### **Draft conclusions of the Council**

1.1.14. The Council discussed in depth the preliminary draft Community Charter of Fundamental Social Rights<sup>1</sup> which the Commission submitted at this Council meeting.

The Council considered that the Commission's preliminary draft broadly echoed the opinion expressed by the Economic and Social Committee on 22 February 1989<sup>2</sup> and the European Parliament's resolution of 15 March 1989<sup>3</sup> and that it constituted a major contribution to achieving a social area.

The Council stated that in the context of the establishment of the European single market the same importance should be given to social aspects as was given to economic aspects and that they should consequently be developed in a balanced fashion.

The Council hoped that in further discussions both sides of industry would be involved in the examination of fundamental social rights and as broad a consensus as possible might be reached.

The Council stated that the European social area should comprise a set of sufficiently precise and legally binding rights, which must comply with the principle of subsidiarity and promote social dialogue.

The Council took the view that the Commission's preliminary draft contained, on the one hand, a list of rights which must be defined with the utmost precision and compliance with which must be guaranteed by the adoption of compulsory rules in keeping with the provisions of the Treaties and, on the other, a series of objectives which should be pursued in the context of the attainment of the European social area and which would have to be established by means of an action programme and common policies without prejudice, on either side, to the role conferred by the Single Act on relations based on agreement.

The Council considered that the fundamental social rights must be approved as soon as possible

by means of a Solemn Declaration of the Heads of State or Government.

The Council invited the Commission immediately to set about formulating rules concerning fundamental rights and drawing up an action programme to achieve the social objectives, in accordance with the conclusions of the European Councils of Hanover<sup>4</sup> and Rhodes.<sup>5</sup> The Council also agreed to resume examination of the proposals already submitted by the Commission and to act on them immediately.

Without prejudice to any amendments which might still be made, the Council noted that there was a general consensus on the fundamental rights set out in the preliminary draft Charter<sup>1</sup> and that they constituted the social identity of the Community.

These conclusions will be forwarded to the President of the European Council.

## *Annex II*

### **Elements of the Spanish proposal concerning the creation of a European Guarantee Fund (EGF) for operations to reduce the payment and level of the foreign debt of heavily indebted countries**

1.1.15. The system would address the problem of the debt of middle-income countries. It would cover not only Latin America, but North African, Far Eastern and East European countries too.

For this system to be launched three conditions must be satisfied:

- (i) the debtor countries must reach agreement with the IMF on the economic programme to be pursued over the three following years;
- (ii) the banking sector must accept the reductions which the IMF and the EGF consider appropriate;
- (iii) the creditor countries which are not members of the EGF must make a contribution, on a case-by-case basis, equivalent to that made by the countries participating in the above Fund.

<sup>1</sup> Bull. EC 5-1989, points 1.2.1 to 1.2.15 and 3.3.1.

<sup>2</sup> OJ C 126, 23.5.1989; Bull. EC 2-1989, point 2.1.75.

<sup>3</sup> OJ C 96, 17.4.1989; Bull. EC 3-1989, point 2.1.79.

<sup>4</sup> Bull. EC 6-1988, points 1.1.1 to 1.1.4 and 3.4.1.

<sup>5</sup> Bull. EC 12-1988, point 1.1.4.

The creation of the EGF would strengthen the multilateral aspect envisaged for dealing with the debt problem.

The Fund would allow a more balanced distribution of the efforts to be made by ensuring that the commercial banks shoulder their share of responsibility.

As the EGF is to be a guarantee system, it is not envisaged that the participating countries would pay initial contributions.

The EGF would be formed on an intergovernmental basis; all interested European countries could take part in it.

## Political cooperation

### *East-West relations, including the CSCE*

1.1.16. The European Council recognizes the importance of the profound changes now taking place in the USSR and the Central European and East European countries, while regretting that serious violations of human rights still occur in some of those countries, in particular against members of ethnic and religious minorities. It has reaffirmed the determination of the Community and its Member States to play an active role in supporting and encouraging positive changes and reform.

The European Council has reaffirmed the full validity of the comprehensive approach integrating political, economic and cooperation aspects which the European Community and its Member States follow in their relations with the USSR and with Central European and East European countries.<sup>1</sup> It has assessed positively the concrete steps which the Community and its Member States, following the Rhodes Declaration,<sup>2</sup> have taken in these fields.

The European Council looks forward to an intensification of relations between East and West in all fields. It reaffirms its belief that progress in arms control and disarmament, respect for human rights and the free circulation of ideas, information and persons remain necessary elements for this improved East-West atmosphere to materialize into further tangible results.

The European Council is convinced that the CSCE process provides the appropriate framework for achieving greater progress in all these fields, enabling Europe to look forward to a day when its present divisions become a matter of history.

The Twelve, who are gradually strengthening their cooperation as a contribution to preserving their security, seek to enhance stability and security through lower levels of forces and armaments as well as through greater transparency and predictability in military matters and thus to promote progress in *rapprochement* and in the dialogue among all the peoples in Europe. In this framework, they attach great importance to the negotiations on conventional forces in Europe and on confidence and security-building measures currently under way in Vienna and will strive for their early and satisfactory conclusion. The resumed Geneva negotiations on reductions in strategic nuclear weapons and the negotiations on chemical weapons also offer prospects for greatly reduced military confrontation and an improved climate of relations between East and West.

### *Middle East*

1.1.17. The European Council reiterates its determination to continue contributing to the settlement of the Arab-Israeli conflict and has approved the attached declaration (→ point 1.1.23).

In this context, the European Council considers that a definitive solution to the Lebanese crisis should be urgently negotiated and implemented. It confirms the full support of the Twelve for the Committee of the Three set up by the Arab League Summit in Casablanca. The European Council calls on all parties involved to cooperate fully with the Committee of the Three with the aim of achieving a complete and lasting ceasefire and a just political solution to the Lebanese crisis based on the sovereignty, unity and territorial integrity of Lebanon.

The European Council considers that a political solution should be based on the election of a President, political reforms and the withdrawal of all non-Lebanese troops. It renews its call for the immediate and unconditional release of all hostages in Lebanon and elsewhere. It reaffirms its full support for Unifil. The European Council has expressed its hope that the Iranian leaders will prove, by concrete actions, their willingness to develop constructive relations with the Community and its Member States, on the basis of freedom, tolerance and respect for international law.

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<sup>1</sup> Bull. EC 4-1989, point 2.2.11.

<sup>2</sup> Bull. EC 12-1988, point 1.1.10.

## Maghreb

1.1.18. The European Council attaches importance to the strengthening and development of relations with the Maghreb, particularly following the establishment of the Arab Maghreb Union, which the European Community and its Member States have publicly welcomed. The consolidation of the process of integration initiated by the establishment of the Union will contribute to the economic development and stability of the region and should enhance the prospects for a settlement of the Western Sahara dispute. The European Council also considers that the establishment of the Union provides a basis for closer cooperation between the Community and the Maghreb.

## Cyprus

1.1.19. The European Council has noted with concern that the Cyprus problem has not yet found a solution and that the tragic division of the island still remains. The Twelve stand fully by the previous statements and reiterate their support for the unity, independence, sovereignty and territorial integrity of Cyprus in accordance with the relevant UN resolutions. They stress the need for progress in the intercommunal dialogue under UN auspices and appeal to the parties concerned to cooperate with the UN Secretary-General towards this end and to refrain from any action that could jeopardize this dialogue.

## Latin America

1.1.20. The European Council has noted the further development of relations between the Community and its Member States and Latin America, and has examined the results of the ministerial meetings recently held in San Pedro Sula (Honduras) and in Granada (Spain).

The European Council reaffirms the concern of the Community and its Member States at the situation in Central America. A just, stable and lasting solution must be found through diplomatic action, regional dialogue, economic cooperation and national reconciliation based on respect for democracy and human rights, in full compliance with the Esquipulas Agreement.

Latin American countries' aims of attaining genuine democracy are threatened by a difficult economic and financial situation of which debt is one of the main elements. The European Council commends the efforts towards genuine economic

reforms and welcomes the intention of the governments concerned to continue in that direction. The European Council has agreed on the need for Member States of the Community to support efforts in international financial institutions and among creditor governments and by public and private banks to seek urgent solutions to these problems.

The European Council calls for the continued development of political contacts and of economic, technical, commercial and financial cooperation between the Community and Latin America. It has noted with satisfaction the work already undertaken in the Community framework along the lines of the Hague conclusions of 26 and 27 June 1986.<sup>1</sup> Referring to the conclusions of various Councils, it has invited the Commission to pursue its efforts to allow the development of differentiated and increasingly effective policies of cooperation between Latin America and the European Community and its Member States, without prejudice to the development of close relations and cooperation with other regions.

## Asia

1.1.21. The European Council has expressed its deep concern over the situation in China and has approved the attached declaration (→ point 1.1.24).

The European Council, reaffirming the previous declarations on Cambodia, welcomes progress made towards the settlement of the conflict in that country. While acknowledging a certain improvement in the international aspects of the Afghan conflict, it has expressed concern at the situation in Afghanistan and urges all the parties involved to work for the establishment of a truly representative government by a genuine act of self-determination. The European Community and its Member States have reiterated their readiness to contribute to the reconstruction of these countries according to their particular circumstances.

The European Council recognizes the urgency and the gravity of the problem of flooding in Bangladesh and is ready to lend effective, coordinated support to the government of that country, in the search for viable solutions which will ensure better flood control.

The European Council welcomes the fact that political dialogue and economic cooperation with the Asean countries have proved effective and will be

<sup>1</sup> Bull. EC 6-1985, point 1.1.17.

further developed at the forthcoming meetings in Brunei and Manila.

### *Southern Africa*

1.1.22. The European Council confirms its determination to continue striving for the abolition of apartheid through a process of peaceful change and for the establishment of a non-racial, free, democratic and united South Africa.

In support of the UN Secretary-General and his special representative, the European Council has confirmed that it will make every effort to ensure that Security Council Resolution 435 continues to be implemented in all its aspects, allowing free and fair elections and the independence of Namibia within the agreed timetable.

The European Council welcomes the positive results obtained at the Gbadolite Summit, which has opened the way to peace in Angola. The European Community and its Member States reaffirm their willingness to contribute to the stability, reconstruction and economic development of that country.

### *Annex I*

#### **Declaration on the Middle East**

1.1.23. The European Council has examined the situation in the Middle East conflict in the light of recent events and of contacts undertaken over several months by the Presidency and the 'troika' with the parties concerned, and it has drawn the following conclusions:

The policy of the Twelve on the Middle East conflict is defined in the Venice Declaration of 13 June 1980<sup>1</sup> and subsequent declarations. It consists in upholding the right to security of all States in the region, including Israel, that is to say, to live within secure, recognized and guaranteed frontiers, and in upholding justice for all the peoples of the region, which includes recognition of the legitimate rights of the Palestinian people, including their right to self-determination with all that this implies.

The Twelve consider that these objectives should be achieved by peaceful means in the framework of an international peace conference under the auspices of the United Nations, as the appropriate forum for the direct negotiations between the par-

ties concerned, with a view to a comprehensive, just and lasting settlement.

The European Council is also of the view that the PLO should participate in this process.

It expresses its support for every effort by the permanent members of the Security Council of the United Nations to bring the parties closer together, create a climate of confidence between them, and facilitate in this way the convening of the international peace conference.

The Community and its Member States have demonstrated their readiness to participate actively in the search for a negotiated solution to the conflict, and to cooperate fully in the economic and social development of the people of the region.

The European Council expressed its satisfaction regarding the policy of contacts with all the parties undertaken by the Presidency and the 'troika', and has decided to pursue it.

The European Council welcomes the support given by the Extraordinary Summit Meeting of the Arab League, held in Casablanca, to the decisions of the Palestinian National Council in Algiers, involving acceptance of Security Council Resolutions 242 and 338, which resulted in the recognition of Israel's right to exist, as well as the renunciation of terrorism.

It also welcomes the efforts undertaken by the United States in their contacts with the parties directly concerned and particularly the dialogue entered into with the PLO.

Advantage should be taken of these favourable circumstances to engender a spirit of tolerance and peace with a view to entering resolutely on the path of negotiations.

The European Council deplores the continuing deterioration of the situation in the Occupied Territories and the constant increase in the number of dead and wounded and the suffering of the population.

It appeals urgently to the Israeli authorities to put an end to repressive measures, to implement Resolutions 605, 607 and 608 of the Security Council and to respect the provisions of the Geneva Convention on the Protection of Civilian Populations in Times of War. They appeal in particular for the reopening of educational facilities in the West Bank.

On the basis of the positions of principle of the Twelve, the European Council welcomes the proposal for elections in the Occupied Territories

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<sup>1</sup> Bull. EC 6-1980, point 1.1.6.

as a contribution to the peace process, provided that the elections are set in the context of a process towards a comprehensive, just and lasting settlement of the conflict, that the elections take place in the Occupied Territories including East Jerusalem, under adequate guarantees of freedom, and that no solution is excluded and the final negotiation takes place on the basis of Resolutions 242 and 338 of the Security Council of the United Nations, based on the principle of 'land for peace'.

The European Council launches a solemn appeal to the parties concerned to seize the opportunity to achieve peace. Respect by each of the parties for the legitimate rights of the other should facilitate the normalizing of relations between all the countries of the region. The European Council calls upon the Arab countries to establish normal relations of peace and cooperation with Israel and asks that country in turn to recognize the right of the Palestinian people to exercise self-determination.

## *Annex II*

### **Declaration on China**

1.1.24. The European Council, recalling the Declaration of the Twelve of 6 June (→ point 2.3.2), strongly condemns the brutal repression taking place in China. It expresses its dismay at the pursuit of executions in spite of all the appeals of the international community. It solemnly requests the Chinese authorities to stop the executions and to put an end to the repressive actions against those who legitimately claim their democratic rights.

The European Council requests the Chinese authorities to respect human rights and to take into account the hopes for freedom and democracy deeply felt by the population. It underlines that this is an essential element for the pursuit of the policy of reforms and openness that has been supported by the European Community and its Member States.

The Twelve are aware that the recent events have caused great anxiety in Hong Kong.

In the present circumstances, the European Council thinks it necessary to adopt the following measures:

- (i) raising of the issue of human rights in China in the appropriate international forums; asking for the admittance of independent observers to attend the trials and to visit the prisons,
- (ii) interruption by the Member States of the Community of military cooperation and an embargo on trade in arms with China,
- (iii) suspension of bilateral ministerial and high-level contacts,
- (iv) postponement by the Community and its Member States of new cooperation projects,
- (v) reduction of programmes of cultural, scientific and technical cooperation to only those activities that might maintain a meaning in the present circumstances,
- (vi) prolongation by the Member States of visas to the Chinese students who wish it.

Taking into account the climate of uncertainty created in the economic field by the present policy of the Chinese authorities, the European Council advocates the postponement of the examination of new requests for credit insurance and the postponement of the examination of new credits of the World Bank.

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## E.C. SUMMIT BRINGS AGREEMENT ON MONETARY UNION

European Community summit leaders yesterday agreed to begin the process of European Monetary Union on July 1, 1990 and to further progress toward the completion of the Internal Market program by 1992. Meeting in Madrid June 26-27, the 12 E.C. Heads of State or Government (European Council) also discussed the need for a "social charter" of Community workers' rights and for the creation of a European Environment Agency.

Under the framework of political cooperation, major declarations were issued on the conflicts in China and the Middle East.

The European Council meets twice a year for a European Community summit. The text of the summit conclusions follows:

### INTRODUCTION

1. The European Council, meeting in Madrid, reviewed the situation and the prospects for progress towards European Union.
2. The European Council welcomed the vigorous turn taken by European cooperation, which had been given a fresh boost by the Single Act, as demonstrated by the European Community's greater role in international affairs.

The completion of the Internal Market and the strengthening of economic and social cohesion were the priority objectives of this new chapter in the history of the Community. It also noted the progress made by the Twelve Member States as a result of increasing involvement in world affairs and greater consistency between Community objectives as such and political cooperation.

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3. The third elections to the European Parliament by direct universal suffrage, which took place between June 15 and 18, likewise bore witness to the consolidation of European integration.

The European Council considered that the implementation of the provisions of the Single Act had led to a real and appreciable increase in the Parliament's contribution to the Community legislative process. This contribution was now embodied in effective cooperation between Parliament, Commission and E.C. Council of Ministers, developing in a climate of mutual trust. In this connection the European Council heard a report by the outgoing President, Lord Plumb, to whom it paid special tribute.

The European Council noted the broadly positive conclusion arrived at by the President of the European Parliament regarding the state of interinstitutional cooperation and the means of improving it. In this context, it would be desirable for the various Community institutions to analyse their respective post-1992 roles.

4. The Community and European Political Cooperation were currently engaged in an ambitious work program involving the complete and balanced implementation of the Single Act.

## A. IMPLEMENTATION OF THE SINGLE ACT

### 1. INTERNAL MARKET

#### COMPLETION OF THE INTERNAL MARKET

The European Council noted that the forward thrust in achievement of the Internal Market was making an ever-increasing contribution to expansion and improvement in the employment situation. This thrust had hitherto resulted mainly from the decisions taken to remove technical barriers to trade. It was now necessary to make similar progress towards the elimination of physical and fiscal obstacles with a view to achieving an area without internal frontiers by December 31, 1992 in accordance with the provisions of Article 8a of the Single Act.

The growing rate at which decisions were being taken meant that well over half the measures listed in the White Paper had been adopted. The Council recalled certain priority fields identified at its meetings in Hanover and Rhodes, and welcomed the fact that important decisions had been taken in the areas of public contracts, banking and financial services, the approximation of technical standards and transport.

However, it noted that there were still decisions to be taken in these priority fields, including transport, in particular cabotage, and asked the Council to intensify its work in these sectors.

The European Council invited the Commission to submit to the Council of Ministers the remaining proposals provided for in the White Paper at the earliest opportunity, and expected the Council of Ministers to finalize adoption, as quickly as possible, of the instruments that would permit the completion of the Internal Market.

## FRAUD

The European Council emphasized the need for firm action to tackle the problem of fraud to the detriment of the Community budget.

It welcomed the very substantial progress already achieved in combating fraud by Member States taking part in the Commission's action plan approved by the Economic and Financial Council of Ministers (ECOFIN) on June 19, 1989.

It invited the Council of Ministers to decide as soon as possible on the various proposals for Regulations to combat fraud which had been submitted to it by the Commission.

### TAXATION

The European Council was concerned at the delay in finding a solution for the problem of the taxation of savings and stressed the need to ensure that the liberalization of capital movements did not facilitate tax fraud. The European Council asked the Council of Ministers to increase its efforts to find a satisfactory solution to the problems of taxation of savings in order to reach an agreement before July 1, 1990.

The European Council welcomed the fact that detailed discussions had now begun in the field of the approximation of indirect taxation on the basis of the new approaches proposed by the Commission and taking account of the Member States' suggestions, and that a procedure for the continuation of those discussions had been laid down. The European Council emphasized the need to reach agreement on the broad lines of a solution in this area before the end of the year, having regard to all the problems involved, in order to ensure that the Internal Market came into operation on schedule.

### AUDIOVISUAL PRODUCTION

The European Council considered it vital that further efforts be made to strengthen all areas of Europe's audiovisual production capacity, as it had requested at its meeting in Rhodes. That implied the Community's technological presence, the free movement of programs with due regard to cultural diversity and the promotion of European production.

The European Council noted the substantial progress made in this field with the adoption of a decision on high-definition television. In view of the above, it invited the Council of Ministers to continue work on the Directive on the free movement of television signals, with a view to adopting it within the time-limit laid down in the procedure for cooperation with the Parliament.

The European Council hoped that the forthcoming audiovisual meetings would be successful.

### FREE MOVEMENT OF PERSONS

In accordance with the Rhodes European Council's decision, the coordinators' group drew up a report (the "Palma (Majorca) document") on the measures needed in different fields in order to achieve progress towards the effective freedom of movement of persons within the Community. The European Council, feeling that free movement of persons was a priority for 1992, endorsed that document's conclusions, which were largely based on the approach and methods employed in the White Paper on the completion of the Internal Market, of proven effectiveness in this context. It instructed the coordinators' group, at the instigation of the General Affairs Council, to spare no effort to ensure that the program of work proposed in the Palma document was completed as planned.

## 2. SOCIAL DIMENSION

The European Council considered that in the course of the construction of the single European market social aspects should be given the same importance as economic aspects and should accordingly be developed in a balanced fashion.

The European Council reaffirmed its Hanover and Rhodes conclusions on the achievement of the Internal Market as the most efficient method of creating jobs and ensuring maximum well-being for all Community citizens. Job development and creation must be given top priority in the achievement of the Internal Market. In this way, the Community should create 5 million jobs between 1988 and 1990.

The European Council noted with satisfaction that the aims of Article 118a of the founding EEC Treaty were being fulfilled by the adoption of important directives on the safety and health of workers, leading to an improvement in the quality of the working environment.

The European Council stressed that making the most of human resources through training was a fundamental aspect of economic and social development; it noted the agreement reached on continuing vocational training. The European Council called upon the Commission, the Council of Ministers and both sides of industry to expedite their ongoing work with a view to obtaining as soon as possible the mutual recognition of qualifications, full occupational mobility and the implementation of both priority objectives decided upon by the European Council in Brussels in February 1988, namely the integration of young people into working life and combating long-term unemployment.

The European Council noted with interest the progress made in the social dialogue at Community level pursuant to Article 118b of the EEC Treaty. The Internal Market must be achieved in a climate of close cooperation between employers and workers so that economic and technical changes take place in a socially acceptable manner. To this end, social achievements must be preserved and economic and social cohesion strengthened.

The European Council also took note of the comparative study on national social legislation which it had requested from the Commission in Hanover. It considered that an analysis of the similarities and differences contained in the study would greatly assist the current discussions.

The European Council noted that at the Council of Ministers meeting on Social Affairs on June 12 the Commission had submitted a preliminary draft Community Charter on Fundamental Social Rights on which an initial debate had been held, leading to the draft conclusions set out in Annex I and accepted by eleven delegations.

The Council of Ministers will continue its discussions with a view to adopting the measures necessary to achieve the social dimension of the Single Market, taking account of fundamental social rights. For this purpose the role to be played by Community standards, national legislation and contractual relations must be clearly established.

The Council of Ministers, after consulting both sides of industry, should state its position on this work program prior to the next meeting of the European Council.

### **3. ENVIRONMENT**

The European Council welcomed the stepping up of the Council's activity during the past six months and emphasized in particular the importance of the measures that had been adopted in the areas of ozone layer protection, the greenhouse effect, pollutant emissions from small cars and forestry policy.

Conscious of its responsibilities in the face of threats on a global scale (climatic changes, deforestation, desertification, etc.), the European Council considered that the Community had an essential role to play in the protection of the environment, both by means of its internal legislation and by its active contribution to all the initiatives taken at international level.

As part of a global environmental policy including the fight against desertification, erosion and deforestation, the European Council called upon the Commission to submit a program for the protection of the environment in the regions of the Community affected by these problems.

At the request of the Chancellor of the Federal Republic of Germany, the European Council discussed the vital contribution of tropical forests to the stability of the world's climate and to the preservation of the earth's genetic resources. Aware of the special responsibility of the industrialized countries for maintaining the balance of nature world-wide, the European Council expressed the wish that these questions be dealt with in close collaboration with the countries concerned.

The European Council took note of the recent Commission proposal for the creation of a European Environment Agency open to European countries with the object of providing the bases for the scientific evaluation of ecological problems. It called upon the Council to examine this proposal at the earliest opportunity.

### **4. RESEARCH AND DEVELOPMENT**

Given the progress achieved in the implementation of the framework program of Community forms of action, together with the work already started by the Commission and the Council on revising it, the European Council took note of the Commission's intention to submit a new framework programme for the period 1990-1994.

This review must provide the occasion to give fresh impetus to action by the Community in this area, which is of capital importance in strengthening the scientific and technological bases of European industry as a whole and increasing its international competitiveness.

### **B. ECONOMIC AND MONETARY UNION**

1. The European Council restated its determination to progressively achieve Economic and Monetary Union as provided for in the Single Act and confirmed at the European Council meeting in Hanover. Economic and Monetary Union must be seen in the perspective of the completion of the Internal Market and in the context of economic and social cohesion.

2. The European Council considered that the report by the committee chaired by Jacques Delors, which defines a process designed to lead by stages to Economic and Monetary Union, fulfilled the mandate given in Hanover. The European Council felt that its realization would have to take account of the parallelism between economic and monetary aspects, respect the principle of "subsidiarity" and allow for the diversity of specific situations.
3. The European Council decided that the first stage of the realization of Economic and Monetary Union would begin on July 1, 1990.
4. The European Council asked the competent bodies (the Economic and Financial and General Affairs Councils of Ministers, the Commission, the Committee of Central Bank Governors and the Monetary Committee):
  - (a) to adopt the provisions necessary for the launch of the first stage on 1 July 1990;
  - (b) to carry out the preparatory work for the organization of an intergovernmental conference to lay down the subsequent stages; that conference would meet once the first stage had begun and would be preceded by full and adequate preparation.

#### C. PEOPLE'S EUROPE

The European Council considered that, despite the results achieved on certain key dossiers of a People's Europe, progress had been inadequate. It requested the Council of Ministers and the Commission to take stock of progress in that area and draw the necessary conclusions regarding action to be taken. The Council of Ministers will report back to the next European Council meeting.

#### D. EXTERNAL RELATIONS

In keeping with the Rhodes Declaration on the international role of the European Community, the European Council reviewed developments in relations between the Community and a number of its partners:

- (1) The European Council noted with satisfaction the progress made in cooperation with the European Free Trade Association (EFTA) countries following the Summit of Heads of Government in Oslo and the joint meeting of Ministers for Foreign Affairs, which were held in March.

In this context, it emphasized the importance which it attached to the rapid identification of the best ways of developing these relations in a more structured way.

It hoped to be apprised at its next meeting of concrete results obtained in the meantime in this area.

- (2) The European Council noted that satisfactory progress had been made in establishing an appropriate policy towards the East European countries ensuring consistency between Community policies and those agreed within political cooperation, in accordance with Article 30(5) of the Single Act. In this context, it noted the progress made towards the conclusion

of trade and cooperation agreements with a number of those countries, at the same time emphasizing the common will to contribute to the efforts made, by Poland and Hungary in particular, to open up their economies and put them back on a sound footing.

(3) The European Council restated the importance it attached to the successful conclusion of the multilateral negotiations under the Uruguay Round, which should make it possible to set up an international system able to meet the challenge arising on a world scale not only for trade in goods, but also for services, for the protection of intellectual property and for action on the special situation of the developing countries. It reaffirmed the Community's determination to oppose any recourse to unilateral measures which might jeopardize such an international system.

(4) The European Council reaffirmed its commitment to a close and comprehensive transatlantic relationship, and noted with satisfaction the cooperative relations which had already been established with the new United States Administration.

(5) The European Council stressed the importance it attached to the consolidation of the long-established privileged links between the Community and the African, Caribbean and Pacific (ACP) States. It welcomed the progress made in renegotiating the ACP-EEC Convention and called for the negotiations to be concluded by the end of the year.

(6) The European Council likewise confirmed the significance it attached to strengthening and extending relations with the countries associated with the Community.

(7) The European Council paid particular attention to examining the situation of middle-income countries facing the problem of indebtedness. Their situation was extremely worrying, especially in Latin America, where a solution to this problem was of particular importance for the consolidation and strengthening of democracy.

The European Council confirmed that the Member States of the Community had a responsibility to play an active part in finding realistic solutions, in the appropriate fora, given the historical links and the cultural and political affinities linking them with the countries in question.

The European Council and the Member States accordingly confirmed the conclusions reached by the Ministers at the meeting of the Economic and Financial Council in March and stressed the willingness of the Member States to consider solutions involving voluntary reductions in debt and debt servicing, taking into account the global measures adopted recently by France and Belgium, with the participation of the International Monetary Fund (IMF) and the World Bank.

The European Council emphasized that it was not possible to delay a solution to this problem. It called upon commercial banks and debtor countries to evolve the practical mechanisms required for a solution to this matter, which posed serious economic and political problems.

The European Council took note of the Spanish proposal, summarized in Annex II, to set up a European Guarantee Fund for the purpose of ensuring a special European contribution to the strengthening and balance of the international effort in this area. This proposal will be examined by the Economic and Financial Council of Ministers.

ANNEX 1

DRAFT CONCLUSIONS OF THE EUROPEAN COUNCIL (SOCIAL AFFAIRS)

The European Council discussed in depth the preliminary draft Community Charter of Fundamental Social Rights which the Commission submitted at this Council meeting. The Council considered that the Commission's preliminary draft broadly echoed the Opinion expressed by the Economic and Social Committee on February 22, 1989 and the European Parliament's Resolution of March 15, 1989 and that it constituted a major contribution to achieving a social area.

The Council stated that in the context of the establishment of the European Single Market the same importance should be given to social aspects as was given to economic aspects and that they should consequently be developed in a balanced fashion.

The Council hoped that in further discussions both sides of industry would be involved in the examination of fundamental social rights and as broad a consensus as possible might be reached.

The Council stated that the European social area should comprise a set of sufficiently precise and legally binding rights, which must comply with the principle of "subsidiarity" and promote social dialogue.

The Council took the view that the Commission's preliminary draft contained, on the one hand, a list of rights which must be defined with the utmost precision and compliance with which must be guaranteed by the adoption of compulsory rules in keeping with the provisions of the Treaties and, on the other, a series of objectives which should be pursued in the context of the attainment of the European social area and which would have to be established by means of an action program and common policies without prejudice, on either side, to the role conferred by the Single Act on relations based on agreement.

The Council considered that the fundamental social rights must be approved as soon as possible by means of a Solemn Declaration of the Heads of State or of Government.

The Council invited the Commission to immediately set about formulating rules concerning fundamental rights and drawing up an action program to achieve the social objectives, in accordance with the conclusions of the European Councils of Hanover and Rhodes. The Council also agreed to resume examination of the proposals already submitted by the Commission and to act on them immediately.

Without prejudice to any amendments which might still be made, the Council noted that there was a general consensus on the fundamental rights set out in the preliminary draft Charter and that they constituted the social identity of the Community.

These conclusions will be forwarded to the President of the European Council.

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## ANNEX II

### ELEMENTS OF THE SPANISH PROPOSAL CONCERNING THE CREATION OF A EUROPEAN GUARANTEE FUND (EGF) FOR OPERATIONS TO REDUCE THE PAYMENT AND LEVEL OF THE FOREIGN DEBT OF HEAVILY INDEBTED COUNTRIES

1. The system would address the problem of the debt of middle-income countries. It would cover not only Latin America, but North African, Far Eastern and East European countries too.
2. For this system to be launched three conditions must be satisfied:
  - (a) the debtor countries must reach agreement with the IMF on the economic program to be pursued over the three following years;
  - (b) the banking sector must accept the reductions which the IMF and the EGF consider appropriate;
  - (c) the creditor countries which are not members of the EGF must make a contribution on a case-by-case basis, equivalent to that made by the countries participating in the above Fund.
3. The creation of the EGF would strengthen the multilateral aspect envisaged for dealing with the debt problem.
4. The Fund would allow a more balanced distribution of the efforts to be made by ensuring that the commercial banks shoulder their share of responsibility.
5. As the EGF is to be a guarantee system, it is not envisaged that the participating countries would pay initial contributions.
6. The EGF would be formed on an intergovernmental basis; all interested European countries could take part in it.

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### EUROPEAN POLITICAL COOPERATION

#### 1. East-West relations, including Conference on Security and Cooperation in Europe (CSCE)

The European Council recognizes the importance of the profound changes now taking place in the USSR and Central and Eastern European countries, while regretting that serious violations of human rights still occur in some of those countries, in particular against members of ethnic and religious minorities. It has reaffirmed the determination of the Community and its Member States to play an active role in supporting and encouraging positive changes and reform.

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The European Council has reaffirmed the full validity of the comprehensive approach integrating political, economic and cooperation aspects which the Community and its Member States follow in their relations with the USSR and with Central and Eastern European countries. It has assessed positively the concrete steps which the Community and its Member States, following the Rhodes Declaration, have taken in these fields.

The European Council looks forward to an intensification of relations between East and West in all fields. It reaffirms its belief that progress in arms control and disarmament, respect for human rights and the free circulation of ideas, information and persons remain necessary elements for this improved East/West atmosphere to materialize into further tangible results.

The European Council is convinced that the CSCE process provides the appropriate framework to achieving greater progress in all these fields, enabling Europe to look forward to a day when its present divisions become a matter of history.

The Twelve Member States, who are gradually strengthening their cooperation as a contribution to preserving their security, seek to enhance stability and security through lower levels of forces and armaments as well as through greater transparency and predictability in military matters and thus to promote progress in rapprochement and in the dialogue among all the peoples in Europe. In this framework, they attach great importance to the negotiations on conventional forces in Europe and on confidence and security building measures currently underway in Vienna and will strive for their early and satisfactory conclusion. The resumed Geneva negotiations on reductions in strategic nuclear weapons and the negotiations on chemical weapons also offer prospects for greatly reduced military confrontation and an improved climate of relations between East and West.

## 2. Middle East

The European Council reiterates its determination to continue contributing to the settlement of the Arab-Israeli conflict and has approved the attached declaration (Annex I)

In this context, the European Council considers that a definitive solution to the Lebanese crisis should be urgently negotiated and implemented. It confirms the full support of the Twelve for the Committee of the Three set up by the Arab League Summit in Casablanca. The European Council calls on all parties involved to cooperate fully with the Committee of the Three with the aim of achieving a complete and lasting ceasefire and a just political solution to the Lebanese crisis based on the sovereignty, unity and territorial integrity of Lebanon.

The European Council considers that a political solution should be based on the election of a President, political reforms and the withdrawal of all non-Lebanese troops. It renews its call for the immediate and unconditional release of all hostages in Lebanon and elsewhere. It reaffirms its full support for United Nations Interim Force in Lebanon (UNIFIL).

The European Council has expressed its hope that the Iranian leaders will prove, by concrete actions, their willingness to develop constructive relations with the Community and its Member States, on the basis of freedom, tolerance and respect for international law.

## 3. Maghreb

The European Council attaches importance to the strengthening and development of relations with the Maghreb, particularly following the establishment of the Arab Maghreb Union

(Morocco, Mauritania, Libya, Tunisia and Algeria), which the European Community and its Member States have publicly welcomed. The consolidation of the process of integration initiated by the establishment of the Union will contribute to the economic development and stability of the region and should enhance the prospects for a settlement of the Western Sahara dispute. The European Council also considers that the establishment of the Union provides a basis for closer cooperation between the Community and the Maghreb.

#### 4. Cyprus

The European Council has noted with concern that the Cyprus problem has not yet found a solution and that the tragic division of the island still remains. The Twelve stand fully by their previous statements and reiterate their support to the unity, independence, sovereignty and territorial integrity of Cyprus in accordance with the relevant United Nations Resolutions. They stress the need for progress in the inter-communal dialogue under the U.N. auspices and for appeals to the parties concerned to cooperate with the U.N. Secretary General towards this end and to refrain from any action that could jeopardize this dialogue.

#### 5. Latin America

The European Council has noted the further development of relations between the Community and its Member States and Latin America, and has examined the results of the Ministerial meetings recently held in San Pedro Sula (Honduras) and in Granada (Spain).

The European Council reaffirms the concern of the Community and its Member States at the situation in Central America. A just, stable and lasting solution must be found through diplomatic action, regional dialogue, economic cooperation and national reconciliation based on respect for democracy and human rights, in full compliance with the Esquipulas (Guatemala) Agreement.

Latin American countries' aims of attaining genuine democracy are threatened by a difficult economic and financial situation of which debt is one of the main elements. The European Council commends the efforts towards genuine economic reforms and welcomes the intention of the governments concerned to continue in that direction. The European Council has agreed on the need for Member States of the Community to support efforts in international financial institutions and among creditor governments and by public and private banks to seek urgent solutions to these problems.

The European Council calls for the continued development of political contacts and of economic, technical, commercial and financial cooperation between the Community and Latin America. It has noted with satisfaction the work already undertaken in the Community framework along the lines of the Hague Conclusions of June 26-27, 1986. Referring to the conclusions of various Councils of Ministers, it has invited the Commission to pursue its efforts to allow the development of differentiated and increasingly effective policies of cooperation between Latin America and the European Community and its Member States, without prejudice to the development of close relations and cooperation with other regions.

#### 6. Asia

The European Council has expressed its deep concern over the situation in China and has approved the attached declaration in Annex II.

The European Council, reaffirming the previous declarations on Cambodia, welcomes progress made towards the settlement of the conflict in that country. While acknowledging a certain improvement in the international aspects of the Afghan conflict, it has expressed concern at the situation in Afghanistan and urges all the parties involved to work for the establishment of a truly representative government by a genuine act of self-determination. The Community and its Member States have reiterated their readiness to contribute to the reconstruction of these countries according to their particular circumstances.

The European Council recognizes the urgency and the gravity of the problem of flooding in Bangladesh and is ready to lend effective, coordinated support to the government of this country, in the search for viable solutions which will ensure a better flood control.

The European Council welcomes that political dialogue and economic cooperation with Association of South East Asian Nations (ASEAN) have proved effective and will be further developed at the forthcoming meetings in Brunei and Manila.

#### **7. Southern Africa**

The European Council confirms its determination to continue striving for the abolition of apartheid through a process of peaceful change and for the establishment of a non-racial, free, democratic and united South Africa.

In support of the U.N. Secretary General and his special representative, the European Council has confirmed that it will make every effort to ensure that Security Council Resolution 435 continues to be implemented in all its aspects, allowing free and fair elections and the independence of Namibia within the agreed timetable.

The European Council welcomes the positive results obtained at the Gbadolite Summit, which has opened the way to peace in Angola. The Community and its Member States reaffirm their willingness to contribute to the stability, reconstruction and economic development of that country.

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### **ANNEX 1 OF POLITICAL COOPERATION SECTION**

#### **Declaration on the Middle East**

The European Council has examined the situation in the Middle East conflict in the light of recent events and of contacts undertaken over several months by the Presidency and the Troika (the incumbent Presidency, its immediate predecessor and successor) with the parties concerned, and it has drawn the following conclusions:

1. The policy of the Twelve on the Middle East conflict is defined in the Venice Declaration of June 13, 1980 and other subsequent declarations. It consists in upholding the right to security

of all States in the region, including Israel, that is to say, to live within secure, recognized and guaranteed frontiers, and in upholding justice for all the peoples of the region, which includes recognition of the legitimate rights of the Palestinian people, including their right to self-determination with all that this implies.

The Twelve consider that these objectives should be achieved by peaceful means in the framework of an international peace conference under the auspices of the United Nations, as the appropriate forum for the direct negotiations between the parties concerned, with a view to a comprehensive, just, and lasting settlement.

The European Council is also of the view that the Palestinian Liberation Organization (PLO) should participate in this process. It expresses its support for every effort by the permanent members of the Security Council of the United Nations to bring the parties closer together, create a climate of confidence between them, and facilitate in this way the convening of the international peace conference.

2. The Community and its Member States have demonstrated their readiness to participate actively in the search for a negotiated solution to the conflict, and to cooperate fully in the economic and social development of the peoples of the region.

The European Council expressed its satisfaction regarding the policy of contacts with all the parties undertaken by the Presidency and the Troika, and has decided to pursue it.

3. The European Council welcomes the support given by the Extraordinary Summit Meeting of the Arab League, held in Casablanca, to the decisions of the Palestinian National Council in Algiers, involving acceptance of Security Council Resolutions 242 and 338, which resulted in the recognition of Israel's right to exist, as well as the renunciation of terrorism.

It also welcomes the efforts undertaken by the United States in their contacts with the parties directly concerned and particularly the dialogue entered into with the PLO.

Advantage should be taken of these favorable circumstances to engender a spirit of tolerance and peace with a view to entering resolutely on the path of negotiations.

4. The European Council deplors the continuing deterioration of the situation in the Occupied Territories and the constant increase in the number of dead and wounded and the suffering of the population.

It appeals urgently to the Israeli authorities to put an end to repressive measures, to implement Resolutions 605, 607 and 608 of the Security Council and to respect the provisions of the Geneva Convention on the Protection of Civilian Populations in Times of War. They appeal in particular for the reopening of educational facilities in the West Bank.

5. On the basis of the positions of principle of the Twelve, the European Council welcomes the proposal for elections in the Occupied Territories as a contribution to the peace process, provided that :

- the elections are set in the context of a process towards a comprehensive, just, and lasting settlement of the conflict.

- the elections take place in the Occupied Territories including East Jerusalem, under adequate guarantees of freedom.

- no solution is excluded and the final negotiation takes place on the basis of Resolutions 242 and 338 of the Security Council of the United Nations, based on the principle of "land for peace".

6. The European Council launches a solemn appeal to the parties concerned to seize the opportunity to achieve peace. Respect by each of the parties for the legitimate rights of the other should facilitate the normalizing of relations between all the countries of the region. The European Council calls upon the Arab countries to establish normal relations of peace and cooperation with Israel and asks that country in turn to recognize the right of the Palestinian people to exercise self-determination.

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## ANNEX II

### Declaration on China

The European Council, recalling the Declaration of the Twelve of June 6, strongly condemns the brutal repression taking place in China. It expresses its dismay at the pursuit of executions in spite of all the appeals of the international community. It solemnly requests the Chinese authorities to stop the executions and to put an end to the repressive actions against those who legitimately claim their democratic rights.

The European Council requests the Chinese authorities to respect human rights and to take into account the hopes for freedom and democracy deeply felt by the population. It underlines that this is an essential element for the pursuit of the policy of reforms and openness that has been supported by the European Community and its Member States.

The Twelve are aware that the recent events have caused great anxiety in Hong Kong.

In the present circumstances, the European Council thinks it necessary to adopt the following measures :

- raising of the issue of human rights in China in the appropriate international fora; asking for the admittance of independent observers to attend the trials and to visit the prisons,
- interruption by the Member States of the Community of military cooperation and an embargo on trade in arms with China,
- suspension of bilateral ministerial and high level contacts,
- postponement by the Community and its Member States of new cooperation projects,

- reduction of programs of cultural, scientific and technical cooperation to only those activities that might maintain a meaning in the present circumstances,

- prolongation by the Member States of visas to the Chinese students who wish it.

Taking into account the climate of uncertainty created in the economic field by the present policy of the Chinese authorities, the European Council advocates the postponement of the examination of new requests for credit insurance and the postponement of the examination of new credits of the World Bank.



**INTRODUCTION OF THE PRESS CONFERENCE BY MR. JACQUES DELORS  
PRESIDENT OF THE COMISSION OF THE EUROPEAN COMMUNITIES**

**PROSPECTS FOR THE EUROPEAN COUNCIL IN MADRID**

**BRUSSELS, 23 JUNE 1989**

Ladies and Gentlemen,

The European Council will be dealing with questions of foreign policy, and I am expecting two political declarations, one on the Middle East and the other on China.

As far as Community issues are concerned, I would remind you that a European Council is there to assess the progress of the European construction, to provide impetus and to innovate. As far as assessment is concerned, the main question is still the implementation of the Single Act. Under the Spanish presidency we have had a lot of movement, particularly with respect to the large internal market without borders, we've had 31 decisions adopted as common positions, considerable and tangible progress has been made towards a common market in financial services and the opening up of public contracting and harmonisation of standards.

I think that we can expect the European Council, having taken note of the implementation of the Single Act with all its objectives, to give impetus in four very difficult areas: the approximation of taxation, relating to indirect taxation and also taxation on savings; the removal of physical borders, I think we must express great pleasure in the role played by the coordinators appointed at the Rhodes European Council. They clarified and stimulated work and also provided an impetus. I also expect a new phase in the field of the environment, and achievement of audio-visual Europe. Still within the framework of the Single Act, we'll be thinking of the social dimension. That is not simply a question of impetus, I wish very much to have a clear and frank discussion as to what we mean by the social dimension and the way in which it will be applied with the agreement of everyone, respecting two essential principles which have always been the basis of Commission activities - the principle of subsidiarity and the respect of diversity.

When drawing up the inventory of the Single Act, I will be able to recall what has been done in the social sphere since the introduction of the Treaty of Rome within the strict limits of the Treaty provisions, and I shall also be stressing that the social dimension is first and foremost the creation of jobs and solidarity. As far as job creation is concerned, Europe is undergoing very positive structural changes which are reflected in economic results, some of which I've already illustrated, indicating their positive and encouraging nature, with the creation of 1,800,000 jobs. Structural policies have been adopted. They are now being applied within a spirit of partnership. But unlike at the Rhodes European Council, there is an innovation; examination of the Report entrusted to a Committee of Experts on Economic and Monetary Union by the Hanover Council. The European Council will have to give its opinion of the report itself and also decide on the ways and means proposed therein. I would remind you that at the Rhodes Council the twelve member states indicated explicitly that when ratifying the Single Act they were confirming their will to proceed towards economic and monetary union. They simply asked the Committee of Experts to study and make proposals for the concrete steps for implementation. Finally, I would just like to

remind you that the Experts Committee hesitated for a long time between two possible approaches as a response to the question put by the Heads of State and Government. One approach I would call operational and the other Institutional. The operational approach was studied at great length and is reflected in the report, but it will be reflected even further in the working documents that we will be publishing. The operational approach would have required, right from the first phase or the first stage of the process leading towards economic and monetary union, commitments to be undertaken which create movement and dynamism. This operational approach did not meet with the agreement of all members of the Committee, and that is why they gave their preference to an Institutional approach. Basically, as you well know, it is chapter 39 of the report, which says in brief that to achieve economic and monetary union we require a Treaty. This is a single process, and when one embarks on the first phase of this process, one must affirm one's clear political will to go all the way. In other words, to accept the whole process.

So, ladies and gentlemen, these are some points which I wanted to make before replying to your questions.

Thank you.