

THE EUROPEAN COUNCIL

**HANOVER
27-28 JUNE 1988**

Documents in the dossier include:

Hanover European Council

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E.C. Summit Leaders Ask for Study of Monetary Union; Reappoint President Delors

European Community News No. 18/1988

EC Office of Press and Public Affairs

Washington DC

Press Conference by President Delors

Before the European Summit in Hanover

Brussels, 23 June 1988

4. Hanover European Council

Conclusions of the Presidency

3.4.1. At the end of the European Council in Hanover on 27 and 28 June, the Presidency presented the following conclusions:

Implementing the Single European Act

The European Council welcomes the constructive development of relations between the Community institutions in recent months and stresses the political importance of the interinstitutional agreement concluded between the Council, the Commission and the European Parliament.

It would appear necessary to associate the European Parliament more closely with the decisions of the Council at this stage of the full attainment of the internal market and the approach to European Union, not only in order to achieve a better institutional balance but also to enable Community decisions to be better understood by citizens of the Community.

1. Completion of the internal market

The European Council considers that this major objective set by the Single Act¹ has now reached the point where it is irreversible, a fact accepted by those engaged in economic and social life.

The outcome of the studies conducted to evaluate the benefits of the single market confirm that its achievement offers the Community considerable potential for growth and for an increase in employment.

The European Council notes that over one third of the measures programmed in the Commission's White Paper² have now been agreed. The Council considers it particularly encouraging that decisions have been taken or are under way in strategic areas such as: full liberalization of capital movements, the mutual recognition of diplomas, the opening up of public contracts, insurance matters and road and air transport. The European Council noted that this progress was made possible by the full use of the voting procedures in the Single European Act.

The European Council emphasizes that progress towards the realization of the single market must be made in a balanced way; it will discuss in depth at its meeting in Rhodes the report provided for in the Single Act on the progress made towards meeting the 31 December 1992 deadline. It notes that by the end of 1988 the Commission will have

submitted the bulk of the proposals provided for in its White Paper.

At its Brussels meeting in June 1987,³ the European Council agreed on a number of particularly important decisions to be taken in the course of the following 12 months. Those decisions have now been taken. The European Council has now agreed, in accordance with the schedule laid down in the White Paper, that decisions for the completion of the internal market should be taken as soon as possible, *inter alia* in the following fields: completion of the internal market in the areas of public contracts, banks and other financial services, the approximation of standards, and intellectual property.

The European Council agreed on the need to facilitate cooperation between enterprises throughout the Community and invites the Council to examine the Commission's memorandum on the European Company Statute and subsequent proposals to that effect (→ point 2.1.127).

As regards the extent to which harmonization in the area of taxation is necessary to ensure the establishment and functioning of the internal market in conformity with Article 99 of the Treaty, the European Council notes with satisfaction that the Council (Economics and Finance Ministers) is now engaged upon a serious examination of the Commission's proposals.

It also noted that the Commission would be reporting to the Council (Economics and Finance Ministers) on the problem encountered by Denmark regarding certain tax allowances.

In the context of the Directive on capital movements, the European Council stressed the importance of the decisions in the Council (Economics and Finance Ministers) on 13 June (→ point 2.1.8), that the Commission would transmit to that Council before 31 December 1988 proposals aimed at eliminating or attenuating risks of distortion, evasion and fiscal fraud linked to the diversity of national systems for the taxation of savings and for controlling the application of these systems; and that the Council (Economics and Finance Ministers) would take a position on these proposals before 30 June 1989, bearing in mind that any Community decision on fiscal matters must be adopted by unanimity.

The European Council considered the situation in the audiovisual media. It agreed that it is urgently important for the Community that European pro-

¹ OJ L 169, 29.6.1987; Supplement 2/86 — Bull. EC.

² Bull. EC 6-1985, point 1.3.1 *et seq.*

³ Bull. EC 6-1987, point 1.1.1 *et seq.*

duction of audiovisual programmes reflecting the richness and diversity of European culture should attain a level more in line with the broadcasting capacity in Europe. It calls on the Council (Cultural affairs) to pay special attention to this matter. It felt that urgent consideration should be given to the possibility of creating a project in the audiovisual sphere. Attention should also be paid to proper coordination with the activities of the Council of Europe.

The internal market should not close in on itself. In conformity with the provisions of GATT, the Community should be open to third countries, and must negotiate with those countries where necessary to ensure access to their markets for Community exports. It will seek to preserve the balance of advantages accorded, while respecting the unity and the identity of the internal market of the Community.

The European Council underlines the importance in the context of progress towards the single market of sustained economic growth, the pursuit of technological cooperation, and the successful implementation of the Single Act provisions on cohesion.

2. People's Europe

The European Council underlined the importance of removal of obstacles to the free movement of persons. It also emphasizes the need for intensifying and widening cooperation between national administrations in close collaboration with the Commission in order to ensure effective measures to combat terrorism, drug abuse, and organized crime.

3. Social aspects

The European Council stresses the importance of the social aspects of progress towards the 1992 objectives.

It notes that, by removing the obstacles to growth, the large single market offers the best prospect for promoting employment and increasing the general prosperity of the Community to the advantage of all its citizens.

The European Council considers that the internal market must be conceived in such a manner as to benefit all our people. To that end it is necessary, besides improving working conditions and the standard of living of wage earners, to provide better protection for the health and safety of workers at their workplace. It emphasizes that the measures to be taken will not diminish the level of protection already attained in the Member

States. It welcomes the initiatives already taken on the basis of provisions in the Treaty and in particular in Article 118a, and requests the Commission and the Council to continue in this direction.¹

The European Council considers that the achievement of the large market must go hand in hand with improved access to vocational training, including training linked with work, in all the Member States. In this connection it expressed the wish that the conditions be met for mutual recognition of qualifications. It emphasizes the importance of informing and consulting management and labour throughout the process of achieving the single market. With that in mind, the European Council requests the Commission to step up its dialogue with management and labour, paying special attention to the provisions of Article 118b of the Treaty. The Commission will make a comparative study about rules applied in the various Member States concerning working conditions.

4. Protection of the environment

The European Council expressed its concern about the danger to the environment in general and in particular that caused by the pollution of air and water. It noted the recent positive results of the work of the Council (Environment) and invited the Commission and the Council to intensify efforts to improve the means to combat and prevent air and water pollution. It welcomed the conclusions adopted at the Toronto World Economic Summit on 21 June (→ point 3.5.1). The concept that environmental considerations must be integrated into all areas of economic policy-making is in conformity with the environmental objective of the Single European Act. The European Council invited the Commission to prepare proposals for concrete measures to implement the Community's contribution to the international cooperation referred to in Toronto.

5. Monetary union

The European Council recalls that, in adopting the Single Act, the Member States confirmed the objective of progressive realization of economic and monetary union.

They therefore decided to examine at the European Council meeting in Madrid in June 1989 the means of achieving this union.

¹ Bull. EC 2-1988, point 1.2.1 *et seq.*

To that end they decided to entrust to a Committee the task of studying and proposing concrete stages leading towards this union.

The Committee will be chaired by Mr Jacques Delors, President of the European Commission.

The Heads of State or Government agreed to invite the Presidents or Governors of their Central Banks to take part in a personal capacity in the proceedings of the Committee, which will also include one other Member of the Commission and three personalities designated by common agreement by the Heads of State or Government. They have agreed to invite:

Mr Niels Thygesen, Professor of Economics, Copenhagen.

Mr Lamfalussy, Director-General of the Bank for International Settlements in Basle, Professor of Monetary Economics at the Catholic University of Louvain-la-Neuve.

Mr Miguel Boyer, President of Banco Exterior de España.

The Committee should have completed its proceedings in good time to enable the Ministers for Economic Affairs and for finance to examine its results before the European Council meeting in Madrid.

Presidency of the Commission

The European Council, after consultation of the President and the enlarged Bureau of the European Parliament, agreed to renew the mandate of Mr Jacques Delors as President of the Commission.

European political cooperation

1. East-West relations

The European Council noted that East-West relations had moved into a more dynamic phase. In this process the Twelve are determined to continue to play an active role. They welcomed the evidence of the Moscow Summit that a climate of increased confidence and cooperation has now been established in US-Soviet relations.

The Twelve are encouraged by the recent progress in arms control and disarmament. They stress their willingness to work for further progress in the current and future negotiations with a view to achieving stability at a lower level of arms. The principle of asymmetrical reductions and stringent verification provisions laid down in the INF Treaty establishes a valuable precedent.

The Twelve also look for continuing progress towards the peaceful resolution of regional conflicts, universal respect for fundamental human rights, and the free exchange of people and ideas.

The European Council welcomes the more outward-looking attitude now being shown by Eastern European countries in their economic contacts with the West, as witnessed by the establishment and development of relations with the Community. This should be encouraged as contributing to the wider opening up of their economies and societies. The East-West Economic Conference proposed by the Twelve at the Vienna CSCE follow-up meeting will also serve that purpose.

The European Council calls upon other CSCE participating States to join in an effort to conclude the Vienna meeting with a substantive and balanced document permitting significant progress in all areas, in particular in the human dimension. The draft concluding document proposed by the neutral and non-aligned States on 13 May offers a suitable basis to elaborate such a document. A successful conclusion of the Vienna meeting will make possible an early start of negotiations on conventional stability in Europe, the key issue of European security, aiming at the establishment of a stable and secure balance of conventional forces in Europe at a lower level, and on a further set of security and confidence-building measures, as well as other follow-up proposals supported by the Twelve.

2. Afghanistan

The European Council calls upon all concerned to implement fully the peace process set out by the Geneva agreements on Afghanistan. It expects the Soviet Union to complete the withdrawal of its troops in accordance with these agreements. It supports all efforts to establish a representative government formed in a process of self-determination in which the Resistance have a full part to play.

The European Council declares the readiness of the Community and its Member States to provide humanitarian assistance under the programme to be carried out by the UN Coordinator, NGOs and the ICRC in favour of the voluntary repatriation and resettlement of the refugees and displaced persons.

The Community and its Member States are also prepared to provide reconstruction assistance for Afghanistan after the formation of a representative government and the establishment of internal peace.

3. Middle East

The European Council expressed its concern at the increase in tension in the Middle East. The status quo in the Occupied Territories cannot be sustained. On the basis of their established positions the Twelve will continue to work towards the early convening, under UN auspices, of an International Peace Conference, which is the suitable framework for the necessary negotiations between the parties directly concerned, and is essential to bring about a comprehensive, just and lasting peace in the region. The Twelve will support all initiatives to this end.

The continuation of the war between Iraq and Iran endangers the security and stability of the entire region. The Twelve deplore that, nearly one year after its unanimous adoption by the UN Security Council, Resolution 598 has not yet been implemented. They will continue to support the efforts of the UN Secretary-General to secure its early and full implementation. The Twelve condemn the use of chemical weapons and renew their commitment to uphold the principle of freedom of navigation in the Gulf.

The Twelve remain deeply preoccupied by the situation in Lebanon. They confirmed the importance they attach to the orderly and legal conduct of the forthcoming presidential election. They also recalled their support for Unifil and reiterated their strong appeal for the immediate release of all hostages still being held in Lebanon.

The European Council welcomed the recent signature of the Cooperation Agreement with the Gulf Cooperation Council and the intensification of relations with its members. It also welcomed the recent 'troika' meeting in the Euro-Arab Dialogue and hoped this would lead to increased productive cooperation.

4. South Africa

The European Council noted with great concern that relations between the Twelve and South Africa run the risk of being worsened even further. In this respect it urged that all legal options available in South Africa, including, if necessary, the grant of clemency by President Botha, should be used to prevent the death penalty from being carried out against the Sharpeville Six.

On 18 July, Nelson Mandela will mark his 70th birthday. The European Council strongly appeals to the South African authorities to free him and all other political prisoners.

The European Council confirmed that the enactment of the proposed bill designed to deprive anti-apartheid organizations, striving for peaceful change, of financial support from abroad would place additional strain on the relations of the Twelve with South Africa.

5. Southern Africa

The Twelve recalled their established position concerning Namibia and supported the current efforts to secure peace for Angola and independence for Namibia on the basis of UN Security Council Resolution 435.

6. Latin America

The European Council discussed the situation in Latin America and underlined the fundamental importance of the rule of democracy and the normal functioning of democratic institutions as a key factor for stability in the subcontinent. The continuity of the peace process in Central America is essential for achieving peace, justice and the observance of human rights in the whole region. The Twelve remain determined to provide continued support for this process.

No. 18/88
June 29, 1988

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**E.C. SUMMIT LEADERS ASK FOR STUDY OF MONETARY UNION;
REAPPOINT PRESIDENT DELORS**

European Community summit leaders this week appointed a committee to study ways to achieve a European economic and monetary union. Meeting in Hanover June 27 and 28, the 12 E.C. Heads of State or Government (the European Council) also reappointed Jacques Delors, President of the E.C. Commission since 1985, for another two years.

The leaders called the Community's campaign to remove all trade and other barriers between member states by 1992 "irreversible." They called for action "as soon as possible" to create a unified internal market in specific areas--public contracts, banks and other financial services, technical standards and intellectual property. They also called on the Community to develop production of audiovisual programs "reflecting the richness and diversity of European culture"; to provide better worker health and safety protection; and to intensify efforts to prevent air and water pollution.

On political matters, the European Council welcomed the "climate of increased confidence and cooperation" in U.S.-Soviet relations, and issued statements on Afghanistan, the Middle East, South Africa, southern Africa and Latin America.

The text of the summit conclusions follows.

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CONCLUSIONS OF THE EUROPEAN COUNCIL
HANOVER, JUNE 27-28, 1988

A) IMPLEMENTING THE SINGLE EUROPEAN ACT

The European Council welcomes the constructive development of relations between the Community institutions in recent months and stresses the political importance of the interinstitutional agreement concluded between the Council [of Ministers], the Commission and the European Parliament.

It would appear necessary to associate the European Parliament more closely with the decisions of the Council [of Ministers] at this stage of the full attainment of the Internal Market and the approach to European Union, not only in order to achieve a better institutional balance, but also to enable Community decisions to be better understood by citizens of the Community.

1. Completion of the internal market

The European Council considers that this major objective set by the Single Act has now reached the point where it is irreversible, a fact accepted by those engaged in economic and social life.

The outcome of the studies conducted to evaluate the benefits of the single market confirm that its achievement offers the Community considerable potential for growth and for an increase in employment.

The European Council notes that over one third of the measures programed in the Commission's White Paper have now been agreed. The Council considers it particularly encouraging that decisions have been taken or are under way in strategic areas such as: full liberalization of capital movements, the mutual recognition of diplomas, the opening up of public contracts, insurance matters and road and air transport. The European Council noted that this progress was made possible by the full use of the voting procedures in the Single European Act.

The European Council emphasizes that progress towards the realization of the single market must be made in a balanced way; it will discuss in depth at its meeting in Rhodes the report provided for in the Single Act on the progress made towards meeting the December 31, 1992, deadline. It notes that by the end of 1988 the Commission will have submitted the bulk of the proposals provided for in its White Paper.

At its Brussels meeting in June 1987, the European Council agreed on a number of particularly important decisions to be taken in the course of the following 12 months. Those decisions have now been taken. The European Council has now agreed, in accordance with the schedule laid down in the White Paper, that decisions for the completion of the internal market should be taken as soon as possible, inter alia in the following fields: completion of the internal market in the areas of public contracts, banks and other financial services, the approximation of standards, and intellectual property.

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The European Council agreed on the need to facilitate cooperation between enterprises throughout the Community and invites the Council [of Ministers] to examine the Commission's memorandum on the European Company statute and subsequent proposals to that effect.

As regards the extent to which harmonization in the area of taxation is necessary to ensure the establishment and functioning of the internal market in conformity with Article 99 of the [European Economic Community, EEC] Treaty, the European Council notes with satisfaction that the Council of Economics and Finance Ministers are now engaged upon a serious examination of the Commission's proposals. It also noted that the Commission would be reporting to the Council of Economics and Finance Ministers on the problem encountered by Denmark regarding certain tax allowances.

In the context of the Directive on Capital Movements, the European Council stressed the importance of the decisions in the Council of Economics and Finance Ministers on June 13 that the Commission would transmit to that Council before December 31, 1988, proposals aimed at eliminating or attenuating risks of distortion, evasion and fiscal fraud linked to the diversity of national systems for the taxation of savings and for controlling the application of these systems; and that the Council of Economics and Finance Ministers would take a position on these proposals before June 30, 1989, bearing in mind that any Community decision on fiscal matters must be adopted by unanimity.

The European Council considered the situation in the audiovisual media. It agreed that it is urgently important for the Community that European production of audiovisual programs reflecting the richness and diversity of European culture should attain a level more in line with the broadcasting capacity in Europe. It calls on the Cultural Affairs Council to pay special attention to this matter. It felt that urgent consideration should be given to the possibility of creating a EUREKA [multinational science and technology research and development] project in the audiovisual sphere. Attention should also be paid to proper coordination with the activities of the Council of Europe.

The Internal Market should not close in on itself. In conformity with the provisions of the General Agreement on Tariffs and Trade, the Community should be open to third countries, and must negotiate with those countries where necessary to ensure access to their markets for Community exports. It will seek to preserve the balance of advantages accorded, while respecting the unity and the identity of the Internal Market of the Community.

The European Council underlines the importance in the context of progress towards the Single Market of sustained economic growth, the pursuit of technological cooperation, and the successful implementation of the Single Act provisions on cohesion.

2. People's Europe

The European Council underlined the importance of removal of obstacles to the free movement of persons. It also emphasizes the need for intensifying and widening cooperation between national administrations in close collaboration with the Commission in order to ensure effective measures to combat terrorism, drug abuse, and organized crime.

3. Social aspects

The European Council stresses the importance of the social aspects of progress towards the 1992 objectives.

It notes that, by removing the obstacles to growth, the large Single Market offers the best prospect for promoting employment and increasing the general prosperity of the Community to the advantage of all its citizens.

The European Council considers that the Internal Market must be conceived in such a manner as to benefit all our people. To that end it is necessary, besides improving working conditions and the standard of living of wage earners, to provide better protection for the health and safety of workers at their workplace. It emphasizes that the measures to be taken will not diminish the level of protection already attained in the Member States. It welcomes the initiatives already taken on the basis of provisions in the [EEC] Treaty and in particular in Article 118a, and requests the Commission and the Council to continue in this direction.

The European Council considers that the achievement of the large market must go hand in hand with improved access to vocational training including training linked with work, in all the Member States. In this connection it expressed the wish that the conditions be met for mutual recognition of qualifications. It emphasizes the importance of informing and consulting management and labor throughout the process of achieving the Single Market. With that in mind, the European Council requests the Commission to step up its dialogues with management and labor, paying special attention to the provisions of Article 118b of the [EEC] Treaty. The Commission will make a comparative study about rules applied in the various Member States concerning working conditions.

4. Protection of the environment

The European Council expressed its concern about the danger to the environment in general and in particular that caused by the pollution of air and water. It noted the recent positive results of the work of the Environment Council and invited the Commission and the Council to intensify efforts to improve the means to combat and prevent air and water pollution. It welcomed the conclusions adopted at the Toronto World Economic Summit on June 21, 1988. The concept that environmental considerations must be integrated into all areas of economic policy-making is in conformity with the environmental objective of the Single European Act. The European Council invited the Commission to prepare proposals for concrete measures to implement the Community's contribution to the international cooperation referred to in Toronto.

5. Monetary union

The European Council recalls that, in adopting the Single Act, the Member States confirmed the objective of progressive realization of Economic and Monetary Union.

They therefore decided to examine at the European Council meeting in Madrid in June 1989 the means of achieving this Union.

To that end they decided to entrust to a Committee the task of studying and proposing concrete stages leading towards this Union.

The Committee will be chaired by Mr. Jacques Delors, President of the Commission.

The Heads of State or Government agreed to invite the President or Governor of their Central Banks to take part in a personal capacity in the proceedings of the Committee, which will also include one other member of the Commission and three personalities designated by common agreement by the Heads of State or Government. They have agreed to invite:

- Mr. Niels Thygesen, Professor of Economics, Copenhagen;
- Mr. Alexandre Lamfalussy, Director-General of the Bank for International Settlements in Basel, Professor of Monetary Economics at the Catholic University of Louvain-la-Neuve;
- Mr. Miguel Boyer, President of "Banco Exterior de Espana."

The Committee should have completed its proceedings in good time to enable the Ministers for Economic Affairs and for Finance to examine its results before the European Council meeting in Madrid.

B) PRESIDENCY OF THE COMMISSION

The European Council, after consultation of the President and the enlarged Bureau of the European Parliament, agreed to renew the mandate of Mr. Jacques Delors as President of the Commission.

C) EUROPEAN POLITICAL COOPERATION

1. East-West relations

The European Council noted that East-West relations had moved into a more dynamic phase. In this process the Twelve are determined to continue to play an active role. They welcomed the evidence of the Moscow Summit that a climate of increased confidence and cooperation has now been established in U.S.-Soviet relations.

The Twelve are encouraged by the recent progress in arms control and disarmament. They stress their willingness to work for further progress in the current and future negotiations with a view to achieving stability at a lower level of arms. The principle of asymmetrical reductions and stringent verification provisions laid down in the INF treaty establishes a valuable precedent.

The Twelve also look for continuing progress towards the peaceful resolution of regional conflicts, universal respect for fundamental human rights, and the free exchange of people and ideas.

The European Council welcomes the more outward-looking attitude now being shown by eastern European countries in their economic contacts with the West, as witnessed by the establishment and development of relations with the Community. This should be encouraged as contributing to the wider opening up of their economies and societies. The East-West Economic Conference proposed by the Twelve at the Vienna Conference on Security and Cooperation in Europe (CSCE) follow-up meeting will also serve that purpose.

The European Council calls upon other CSCE participating States to join in an effort to conclude the Vienna meeting with a substantive and balanced document permitting significant progress in all areas, in particular in the human dimension. The draft concluding document proposed by the neutral and nonaligned states on May 13 offers a suitable basis to elaborate such a document. A successful conclusion of the Vienna meeting will make possible an early start of negotiations on conventional stability in Europe, the key issue of European security, aiming at the establishment of a stable and secure balance of conventional forces in Europe at a lower level, and on a further set of security and confidence-building measures, as well as other follow-up proposals supported by the Twelve.

2. Afghanistan

The European Council calls upon all concerned to implement fully the peace process set out by the Geneva agreements on Afghanistan. It expects the Soviet Union to complete the withdrawal of its troops in accordance with these agreements. It supports all efforts to establish a representative government formed in a process of self-determination in which the Resistance have a full part to play.

The European Council declares the readiness of the Community and its Member States to provide humanitarian assistance under the program to be carried out by the UN Coordinator, nongovernmental organizations and the International Committee of the Red Cross, in favor of the voluntary repatriation and resettlement of the refugees and displaced persons.

The Community and its Member States are also prepared to provide reconstruction assistance for Afghanistan after the formation of a representative government and the establishment of internal peace.

3. Middle East

The European Council expressed its concern at the increase in tension in the Middle East. The status quo in the Occupied Territories cannot be sustained. On the basis of their established positions the Twelve will continue to work towards the early convening, under UN auspices, of an International Peace Conference, which is the suitable framework for the necessary negotiations between the parties directly concerned, and is essential to bring about a comprehensive, just and lasting peace in the region. The Twelve will support all initiatives to this end.

The continuation of the war between Iraq and Iran endangers the security and stability of the entire region. The Twelve deplore that, nearly one year after its unanimous adoption by the UN Security Council, Resolution 598 has not yet been implemented. They will continue to support the efforts of the UN Secretary General to secure its early and full implementation.

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The Twelve condemn the use of chemical weapons and renew their commitment to uphold the principle of freedom of navigation in the Gulf.. The Twelve remain deeply preoccupied by the situation in Lebanon. They confirmed the importance they attach to the orderly and legal conduct of the forthcoming presidential election. They also recalled their support for the United Nations Interim Force in Lebanon (UNIFIL) and reiterated their strong appeal for the immediate release of all hostages still being held in Lebanon.

The European Council welcomed the recent signature of the cooperation agreement with the Gulf Cooperation Council and the intensification of relations with its members. It also welcomed the recent Troika meeting in the Euro-Arab Dialogue and hoped this would lead to increased productive cooperation.

4. South Africa

The European Council noted with great concern that the relations between the Twelve and South Africa run the risk of being worsened even further. In this respect it urged that all legal options available in South Africa including if necessary the grant of clemency by President Botha should be used to prevent the death penalty from being carried out against the Sharpeville Six.

On July 18, Nelson Mandela will mark his 70th birthday. The European Council strongly appeals to the South African authorities to free him and all other political prisoners. The European Council confirmed that the enactment of the proposed bill designed to deprive antiapartheid organizations, striving for peaceful change, of financial support from abroad would place additional strain on the relations of the Twelve with South Africa.

5. Southern Africa

The Twelve recalled their established position concerning Namibia and supported the current efforts to secure peace for Angola and independence for Namibia on the basis of UN Security Council Resolution 435.

6. Latin America

The European Council discussed the situation in Latin America and underlined the fundamental importance of the rule of democracy and the normal functioning of democratic institutions as a key factor for stability in the subcontinent. The continuity of the peace process in Central America is essential for achieving peace, justice and the observance of human rights in the whole region. The Twelve remain determined to provide continued support for this process.

D) Other

The European Council invites the Council of Foreign Affairs [Ministers] to agree on the terms of reference for a study by the Commission of the problems of access to the Member States and the social integration of immigrants from third countries.

Brussels, 23 June 1988

PRESS CONFERENCE BY PRESIDENT DELORS
before the European Summit in Hanover
27 et 28 June 1988
(Résumé)

The European Council at Hanover will fortunately take place in conditions which we feel are rather special for three essential reasons: - the first that the arrangements for recovery in the building of Europe have really been established - secondly, under the German Presidency an exceptionally large number of important decisions have been taken - thirdly, Chancellor Kohl's wish, as indeed my own, is to go back to the very essence of the European Council. In other words to make it a meeting of Heads of State and Government accompanied by their Foreign Affairs Ministers in order to assess where the Community stands, to give certain impulses but not to try and make decisions which have not been taken by Councils of Ministers. I think that this latter point deserves special emphasis.

I was saying that during the German Presidency a very large number of decisions had been taken. Let me just remind you of these. As far as decisions of principle taken at the Brussels Summit are concerned, their implementation is now assured. The Council of Ministers adopted decisions on own resources, budgetary discipline, the financial regulation and also the framework regulation for accompanying policies based on the Structural Funds. On the other side - and also related to the European Council of February 1988 - an inter-institutional agreement was reached, I would remind you on the basis of a proposal from the Commission, which met with a certain amount of distrust and scepticism but fortunately leads to an inter-institutional agreement on how the budget is to be drawn up. This will be signed between the European Parliament, the Council and the Commission. It is a most important event in respect of budget discipline and of achieving the objectives of the Single Act and also for institutional reasons.

I would remind you that as far as the internal market is concerned, the Council of Transport Ministers agreed on substantial progress in achieving a single market in road transport, on diesel emissions and on the social sector, which of course has to accompany any implementation of this transport market. And still under the German Presidency, two very important decisions were taken, which were strategic decisions, one on mutual recognition of diplomas and degrees and the other on liberalisation of capital movements. Finally, to take at random some of the texts that have been adopted, I would mention the supplies directive, for public contracts, the directive on high risk insurance, standards of foodstuffs, standards for construction products, directives on trademarks, the directive on pharmaceutical product prices and another on tractors.

Again under the German Presidency, on the environment there was an agreement on pollutant emissions for large installations, and then there was the agricultural package, which was not easy but was adopted in total respect of the decisions of the European Council and furthermore, in the spirit of the new Common Agricultural Policy. As you know there is still a Greek reservation; discussion continues on that between the Commission, as represented to Mr Andriessen, and the Greek authorities on this point.

In view of these developments, the European Council in Hanover should note that as far as the internal market is concerned, major progress has been made. We have almost got to a point of no return and I think that the European Council in Hanover will, among other things, indicate the most important steps to be taken in the coming months in agreement with the future Presidencies, to ensure the necessary impulse and movement. I believe this will be one of the first subjects for discussion among Heads of State and Government.

Among the other subjects that will be dealt with we have, at the request of the Commission, the social dimension to European construction. We hope and desire that the European Council will give a political signal to workers and trade union organizations to indicate that what we wish to create is a common economic and social area rather than just one big market. We need this political signal. We also need it from a psychological point of view and to facilitate work and decisions which are to be taken on social questions. We need it to be able to continue a social dialogue between the European employers and European trade unions. I tried to get this under way at the beginning of January 1985 and have had some success, but we still need a little further encouragement.

Finally, the German Presidency has put the monetary question on the agenda. You will not have missed the reasons for this. The first is the deciding on total liberalization of capital movements between eight countries, which will become effective in two years time, on 1 July 1990. In adopting this, the Community has taken a major step which will lead to further stages in achieving a free market, with financial services on the one hand and the subject of monetary union on the other. Obviously, before this major leap forward can be made we must devote some thought to the prospects of economic and monetary union, which is now explicitly among the objectives of the Treaty. The Single Act makes express reference to this.

This discussion on the monetary issue will first refer, to an assessment of the present situation, then to the goals that the European Community could achieve in the coming years and finally to the procedure according to which the different problems will be studied as they arise as we move towards economic and monetary union.

I think these are the three substantial issues which will be on the agenda of the European Council at Hanover concerning purely Community matters. As is the custom, the President in Office of the Community also wants the Heads of State and Government to be able, a week after the Summit of the industrialized countries, to have a discussion among

the Twelve on the prospects of the economic situation. I will myself be introducing this discussion informally before the dinner which will take place in the evening among the Heads of State and Government and I will also have the opportunity of explaining to them, at their own request, where we stand in our thoughts on the black economy and the role that it plays in our various countries. So that covers the purely Community questions.

Chancellor Kohl also intends to raise questions of internal security, since the removal of the physical barriers - that is the borders - will naturally lead to the need for better and more effective coordination among the national administrations with respect to fighting crime, drugs and terrorism. At the dinner in the evening, they will also examine more topical questions, East-West relations and other questions which they will decide upon themselves. On Tuesday morning Mr Genscher will submit a report to the European Council and a discussion will possibly then take place on these subjects. That, briefly sums up, I think, what the European Council in Hannover will look like.

QUESTION TIME

1. MONETARY QUESTIONS

"On the monetary question, you ask why this question arises and why Chancellor Kohl has decided to place it on the agenda. Perhaps I could remind you briefly of the various proposals that are on the table. To put it simply, there are three schools of thought: First of all there are those who feel that it would be vain to move too quickly and that therefore we must wait until the Internal market has been completed and until the convergence of our economies has been achieved before we can think in terms of making progress in the monetary field. Secondly, you have the pragmatists. They would like political reflections on progress to monetary union, but feel that we should not place the cart before the horse. In other words, the question has to be raised and considered in detail. We can fix deadlines for completing these studies so that the European Council can discuss these matters again, but of course the European Council can only do that if the Ministers of finance and economics have given their opinion first.

Then there is a third school of thought - I'd call it political-institutional - which says that the time has come to take a decision to create a European Central Bank even if this only sees the light of day in four, five or N years. Why do it now? they say. Because the Community requires a new political impetus above and beyond what has been given by the Commission over the last three years. This new political impetus would mean deciding to set up a European Central Bank and then entrusting the matter to a group of wise men to work out how the Bank might be set up and to draw up a draft Treaty.

These three opinions have been expressed over the last few months by Committees set up to promote monetary union by some people who currently do not hold political office and others who are currently in government, in power. My task has been discreetly to try and bring these various viewpoints closer together and I hope that at the Hanover meeting we can find a formula which is not just standing still and is not just a trick, but which will enable us to move forward to economic and monetary union. That is how I see the method."

To what extent do you think that the refusal of Great Britain to participate in the exchange rate mechanism is a block on monetary union?

"The fact that the pound sterling does not participate in the exchange rate mechanism of the European Monetary System does not prevent the European Council deciding on the aims, the ways and means of monetary union. But of course, when we move on to deeds, it is very difficult to conceive of a common financial area or an open market in financial services with substantial progress on the EMS, without the United Kingdom having taken a clear position as to whether or not it intends to join the EMS and the exchange mechanism. But the fact that the pound sterling is not currently in the exchange mechanism does not prevent the Hanover European Council from considering the intellectual issues and deciding on ways and means."

Is the movement which Chancellor Kohl has in mind, different or analogous or less ambitious than the second stage of the EMS that we were talking about some ten years ago?

"I would say that the objective now is more ambitious than the second stage goal which was set at Bremen but it is essentially a matter of answering four questions:

First: do you wish Europe to have a common currency one day? Should this common currency be a single currency or a parallel currency for some time? What changes will this entail in the institutional field - and not just in the economic and monetary sectors? This is one reason why our reflections on these prospects must extend beyond those who are just responsible for monetary matters. There are institutional aspects.

Secondly: if we do have a common currency and a single currency, who is going to manage it? The generally accepted answer is a European Central Bank, but what will the status of that bank be. Will it take the place of national central banks or will it be a Federal Central Bank, so that the national central banks will remain in existence and retain part of their power, but above them will be this umbrella organization, a European Central Bank of a federal kind. If it were to be like that, what powers would be given to the Federal Central Bank to enable it to play its role and promote stability in the external field, in other words, in relations with other currencies. May I just emphasize in passing that I agree with three principles recently referred to by President Pohl; first, the absolute commitment of a central bank on the principle of maintaining currency values; secondly, the need for a central bank to be equipped with the powers to take monetary decisions on a federal basis and thirdly, its independence of national or governmental authorities or Community authorities.

Now the third question: Will this common currency be the ECU, and if it is, what must governments, central banks and European enterprises do straight away to promote its use? What should the status and composition of the ECU be, what will its role be, not only in transactions on private markets but also in transactions between central banks?

The fourth question is: What are the transitional steps to a European Central Bank? Some people feel, for example, that we might give new life to the European Monetary Cooperation Fund as a transitional step, in other words, to convert it into a European Monetary Fund.

So, these are the four questions which are before us. While one can recognize great merit in the Werner Report at the time when it was produced, you have to recognize that it didn't answer those four questions under today's conditions."

Do you think that a currency which does not respect any exchange discipline can stay in a currency basket which it is influencing or unbalancing?

"My personal response to that is NO."

If the decisions taken at Hanover were simply to reflect on the future of the European and monetary union without setting any dates or committing oneself to any timetable, do you think you would have immobility or deception?

"There will be immobility if after having defined a method, we don't set a timetable at the end."

2. SOCIAL QUESTIONS

* Social dialogue

Since I started the social dialogue, which was interrupted for several years following the cessation of the Tripartite Conferences it was confirmed to me that this social dialogue had its limits. The first of these related to a general difficulty for the Community, of how to manage diversity. It is a problem for all twelve countries and a problem for the Commission, but it is also a problem for the employers, for UNICE and for the ETUC. It is quite enough to listen to their internal debates, especially within the European Trade Union Confederation.

Even if we were able to overcome this diversity - which would not be easy - we are clearly far from being able to conclude European collective bargaining agreements - and in any case does everyone want that? This social dialogue therefore, has to lead to some concrete matters, such as growth, and job creation in Europe. Of course there are medium-term prospects for the large internal market, but in the meantime what happens? This, by the way, explains why the social partners have always supported Commission proposals on the cooperative growth strategy, in other words they are asking us to prove movement while we are going alone.

Social dialogue is not sufficient on its own. It can prepare decisions within the new article 118A of the Treaty which refers to working conditions: health, safety, organization of work and so forth. These can be discussed within the social dialogue, but after that we need directives. We have made proposals for these but they have not yet been adopted. The European Council has to demonstrate in a declaration that these directives are as important as those concerning the removal of physical or technical barriers to trade. The third element is that situations of course differ among the countries of the Community concerning the place of the worker in the firm. It has always been the demand of the trade union organizations to see Europe, in one way or another, reaffirm that the workers do not just have a passive role. They must be informed in good time of developments. They must be consulted and have their say on certain problems in the business, just as firms have said "yes" when asked whether we need a European company under European Company Law. So there is common agreement between the bosses and the trade unions on a proposal for European Company Law. We have put forward this text as a memorandum to allow each government to reflect on it and not get bogged down in pointless ideological debate as in the past. So there are three hard facts which justify a forward impulse. European Councils are not

expected to arbitrate on problems which should have been decided by Council of Ministers, but they should give some impetus. For the Community's future success, it needs some impetus in the social sector, no more than that. As for the rest, it will be up to the Council and the Commission to do what is necessary with of course, the agreement of the European Parliament.

*** On the Commission's concrete proposals on social questions**

The Commission hasn't been idle. It has proposed a European Initiative on growth and has brought its thinking up to date in the light of the international and European economic situation. We have submitted a memorandum on European Company Law. We have put before the Council of Ministers various draft directives applying Article 118A, covering the general use of machinery and proposals to protect the health of workers. We are also trying to see whether it would be useful in Europe to have a sort of minimum basis of social rights. I proposed before the ETUC, as a subject for social dialogue, the right of every worker to permanent vocational training throughout his life.

As you can see, we are certainly not short of projects. But we are certainly not discussing these in the European Council. It is simply a matter of confirming that the social dimension should have the same order of priority as the other objectives of the Single Act, namely the achievement of the market without frontiers, the enlargement of technological cooperation, the strengthening of monetary union, economic and social cohesion between the regions of the Community, a common environment policy and sixth, the social dimension.

3. THE SINGLE EUROPEAN MARKET 1992

*** On the Commission's priorities under the internal market programme over the next eighteen months:**

First we have to complete the programme to open fully the public procurement markets. We also have to make a lot of progress on plant health. We have to reach agreement on European Company Law which I consider a major feature for the internal market and finally the external aspect of the internal market will have to be strengthened if we do not wish the internal market to work primarily to the benefit of foreign investors. If this single economic area is achieved, and it will be, then Europe must be able to work to obtain the same benefits that can be achieved by the United States or Japan. There are other equally important projects; cooperation in the field of television is something which we regard as important, allowing us to preserve our technology and our television manufacturing industry as well as our European culture and equality of opportunity for European artists and creators, so that they can have their works broadcast on television.

*** How to avoid 1992 being used to compel workers to accept salary cuts in very tough working conditions?**

Whether or not we achieve the internal market the same social problems will face the Member States and their working people because the threat comes from outside. Obviously there are differences between car manufacturers working in Germany, Spain or Ireland, but that is nothing compared to the difference with South Korea. Just imagine the

Community did not exist. Then the problem of competition with South Korea would be there all the same. So let us not make the European venture a scapegoat or allow employers to use it as such. If we are asking the Heads of State and Government to recall the importance of the social aspect, it is simply because we wish to meet this sort of argument, which is vulgar and out of step with reality. The threat has nothing to do with the Internal market. We have to meet competition from outside, where people work with the same technology but longer hours and lower wages. That's what we have to face up to and that's why I spoke earlier of having a firm external policy. We are not going to accept social dumping. For the rest, the social dimension means going in step with the removal of all barriers to trade and bringing about harmonization. Harmonization cannot be seen as a way of lowering social standards in Member States. If the internal market has any meaning it is that it will lead to economic and social progress. If this were not so, then I am no longer a convinced European. I would have to think of something else.

*** On reinforcing the external aspects of the Single Market**

The European economy is the most open in the world. I think that what has happened in Toronto demonstrates that the criticisms levelled against the current Community or the potential Community, for becoming a fortress have not been sustained, and the Toronto communiqué supports the European position in this respect. What I simply wanted to say was that there is a risk, given the international challenge. We offer a large market of 320 million consumers and if we do not take the common policy measures which are required, we will not benefit as much from this large market as we should. The only way we can meet the challenge is to improve our technological and monetary cooperation and enable our companies to cooperate between themselves. The company established under European law is very important in that respect. What are needed are sufficiently strong common policies. There are six objectives in the Single Act. They are consistent between themselves and if we fail to achieve one or two of them we will not build the Europe that we want. Now what I say of course, has to be somewhat qualified because economic progress will also be made in conjunction with the members of EFTA, as I have indicated elsewhere. However, you have to distinguish between our final goal, which is political union, and the intermediate goal which is the creation of a major single economic area.

*** On eliminating frontiers and the problems of controlling and fighting terrorism, drugs etc**

As the economy becomes more international so does crime and delinquency. This is a phenomenon which European countries must meet by cooperating more and by working rather faster than the Trevi and the Pompidou groups have been doing.

*** On the black economy and its influence on the real economy**

In June 1986 at The Hague Summit meeting, the Heads of State and Government asked us to carry out a study on the significance of the black economy in each of the Member States, the reasons for it, its size, and its effects. I will give a verbal report to the Heads of State and Government of the first conclusions. It is rather difficult

however, because if you collate all the national studies which have been produced, you will see that there is no exhaustive study on the role of the black economy within any Member State. What you get is a sort of monograph for each sector of activity, but no country has been able to give a full study of the black economy for the simple reason that it is a hidden economy. We have gathered together all the available studies and I will be giving some first indications to the Heads of State and Government, but these will not be final conclusions because it is manifestly very difficult to discern all the phenomena of the black economy in a sufficiently scientific way.