

**General Secretariat  
of the Council of the European Communities**

# **FORTIETH REVIEW OF THE COUNCIL'S WORK**

**1 January - 31 December 1992**

**«Report from the Secretary General»**

**(Part I : Summary)**



**GENERAL SECRETARIAT  
OF THE COUNCIL OF THE EUROPEAN COMMUNITIES**

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*This review, which was drawn up under the responsibility of the Secretary-General, covers the work of the Council of the European Communities, the European Council and the Representatives of the governments of the Member States in the framework of European Political Co-operation and co-operation in the field of Justice and Home Affairs. The review comprises a summary of the main decisions and salient facts (part I) and a detailed analysis of work as a whole (part II). Words or expressions marked with an asterisk are explained in notes at the end of the review.*

*In accordance with the conclusions of the Edinburgh European Council on 11 and 12 December 1992, part I of the review (summary) is published separately and appears in this volume. The complete review of the Council's work (parts I and II) will be published as soon as possible.*

## Foreword

*An original venture, unique in the annals of international relations, the Community is constantly evolving. It proceeds in stages, borne by the prevailing political will towards periodically redefined goals and adapting to the altering circumstances of a world in a state of rapid change. 1992 alone saw, simultaneously, the completion of an historic stage in the construction of Europe, the difficult beginnings of a new impetus and significant efforts to adjust the "acquis" in key areas of Community integration.*

*Conceived along with the very idea of Europe, enshrined in the Treaty of Rome and given systematic form in the Single Act, the large market without frontiers became a reality on 1 January 1993. This required intensive legislative activity to which the Council, in close co-operation with the other institutions and the European Parliament in particular, made a decisive contribution.*

*In parallel with this, 1992 saw the beginning of a new stage in the construction of Europe with the signing in February of the Maastricht Treaty, which has so far been ratified by ten Member States. The vehemence of the debates to which ratification gave rise in a number of countries has revealed certain weaknesses in the process and has, more seriously, revealed a gap between the governments and part of the public regarding their ideas of the aims and methods of the construction of Europe. Awareness of this led the European Council in Birmingham and then in Edinburgh to outline a sort of guide to the proper use of the Maastricht Treaty, giving a strong reminder of the need for democracy, information, transparency and respect for the citizen without which any form of Community construction would be doomed to failure. In the same spirit the European Council adopted a series of provisions to allay Denmark's concern, but within the terms of the Treaty.*

*Having thus put Maastricht in a new light, the European Council drew the first conclusions by adopting what had come to be known as the "Delors II package", which determines the financial framework of the Community's policies until the end of the decade, with particular emphasis being placed on the imperative of economic and social cohesion.*

*Since the question of the Community's future financing had been resolved and there was every prospect that Maastricht would be ratified quickly, the Heads of State and of Government were able to open the door to applicant countries, deciding that enlargement negotiations would start at the beginning of 1993 in the case of Austria, Finland and Sweden and, for Norway, as soon as the Commission opinion was available. At the same time as being concerned about the future of the Community, the Edinburgh European Council wanted to react to the deterioration of the current economic situation and to rising unemployment by adopting the principle of a growth initiative with the aim of encouraging economic recovery in Europe.*

*In addition to defining new ambitions for the Community, the Council sought throughout the year to improve what had already been achieved. Thus, in particular, it undertook a courageous reform of the common agricultural policy with the intention - while respecting the main principles which had made it such a success over the last 30 years - of avoiding the inevitable surpluses which had been the source of excessive financial burdens without any real profits for farmers.*

*Internationally, in a difficult, unstable climate, the Community endeavoured to maintain its course. Firstly, the course of economic and commercial liberalism, by opening up the economic area without frontiers to all the EFTA countries while making a constructive contribution throughout 1992 to the search for an overall, balanced solution to the question of the Uruguay Round. Then, the course of solidarity by continuing, in conjunction with its western partners, to meet as fully as possible the permanent challenges and multiple needs accompanying the enormous changes in the former USSR and Central and Eastern Europe.*

*In broader terms, the Community continued to develop the increasingly close network of relations with the rest of the world and to deepen the privileged dialogue which it maintains with the countries closest to it geographically or historically. In this context the Council and its Member States attempted on behalf of the Community - with the still limited means that it has in this sphere - to defuse the most serious tensions and crises and in particular the dramatic situation in the former Yugoslavia, in a spirit that is in keeping with the ideals of democracy, peace and solidarity which are at the source of the European idea.*

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## TOWARDS EUROPEAN UNION

The Treaty on European Union was signed in Maastricht on 7 February by the Ministers for Foreign Affairs and the Ministers for Finance, in the presence of the Presidents of the European Parliament and the Commission. All the Member States except Denmark and the United Kingdom had ratified it by 31 December 1992. Ratification led to referenda being held in Denmark, France and Ireland and required revision of the constitution in seven Member States, particularly with regard to the right of Community nationals to vote and stand in local elections and the implications of economic and monetary union. In France, approval by the National Assembly and the Senate meeting in Congress for the revision of the Constitution was followed by a referendum on 20 September 1992 in which 51,04% of those voting were in favour of the Treaty. Before this there had been two other referenda: one in Ireland on 18 June 1992, with 68,7% in favour of the Treaty and the other in Denmark, where on 2 June 1992, 50,7% of those voting were against ratifying the Maastricht Treaty, which the Folketing had approved by a very large majority.

After an internal political debate on the matter, on 30 October 1992 Denmark submitted to the other Member States a document entitled "Denmark in Europe" setting out the questions that it felt to be the most important following the referendum. Those questions related in particular to defence policy, the third stage of EMU, citizenship of the Union and co-operation in the field of justice and home affairs. To allay Danish concern the European Council in Edinburgh on 12 December 1992 adopted a series of provisions which were fully compatible with the Treaty on European Union.

The outcome of the Danish referendum had a significant influence on the situation in the United Kingdom, where the ratification process was broken off not to be

resumed until December amid acrimonious political debate. In the Federal Republic of Germany the debate led to lively discussions between the Länder and the Federal Government over their respective roles within the future European Union, which led ultimately to a revision of the Constitution and ratification by a large majority. In the other countries ratification took place without any great controversy.

The very lively debates surrounding the referenda in Denmark and France served to highlight a split between the Government and part of the public on the construction of Europe, which seemed to point to a degree of dissatisfaction with and even distrust of the Community and the work done since 1958. The European Council in Birmingham on 16 October 1992 sought to meet this concern by adopting a declaration on "A Community close to its Citizens". Starting from the premise that a democratic Community of democracies can only move forward with the support of the public, the Birmingham declaration recognized the urgent need to make clearer the benefits that the Maastricht Treaty can bring to the individual citizen and the need to make the Community more comprehensible and more transparent. At the same time the Heads of State and of Government of the Twelve were unambiguously confirming their political determination to progress along the path to European Union, which had already been forcefully expressed a few weeks after the Denmark referendum, at the Lisbon European Council.

In accordance with the undertaking given in Birmingham, the Edinburgh European Council adopted a series of concrete measures making for *openness and transparency*, the aim of which was to improve the content and presentation of information for the public and to make Community legislation clearer and more accessible. Similarly, the European Council confirmed that the European Union should scrupulously adhere to the principle of subsidiarity, which means that decisions are to be taken as close as possible to the citizen, and went on to define the practical measures for turning this principle into reality.



The political uncertainty caused by the difficulties over the ratification of the Treaty on European Union, coupled with the difficult financial situation, was probably conducive, in the last few months of 1992, to a general feeling of pessimism regarding the future of Europe. By opening up new prospects for the ratification of the Maastricht Treaty, reaching agreement on the future financing of the Community and adopting an action plan for economic recovery in Europe, the European Council expressed, just a few days before the symbolic date for the completion of the single market, its determination to continue on the path towards European Union.

### **MEDIUM-TERM STRUCTURAL AND FINANCIAL MEASURES**

In February 1988 the Council adopted a set of structural and financial measures known collectively as the "Delors I package". It was in three parts: (a) *a reform of the system of financing the Community* aimed at guaranteeing it stable and adequate resources by setting a ceiling on resources expressed as a percentage of Community GNP (1,2%) and introducing a fourth resource based on GNP; (b) the establishment of *budgetary discipline* to guarantee ordered growth of expenditure as a whole and the curbing of agricultural expenditure; the principal instrument of budgetary discipline was the establishment of a *financial perspective\** determining the development of the main budget areas for a period of five years (1988 - 1992). This was subsequently enshrined by the European Parliament in an inter-institutional agreement; (c) *a reform of the Community structural action*, based in particular on the rationalization of the tasks of the three Funds (EAGGF Guidance Section, ESF and ERDF) so that full weight could be given to the policy of economic and social cohesion announced by the Single Act.

Just as in 1988 the Community felt the need to equip itself with the budgetary means of implementing the Single Act, during 1992 it sought to establish the legal and financial framework allowing the ambitions outlined in the Maastricht Treaty to be given concrete form.

At the beginning of the year the Commission accordingly submitted a series of measures (the "Delors II package") containing a new medium-term financial plan covering the period 1993 - 1997, together with proposals to consolidate what had been achieved with the 1988 reform, to make good any defects and to adapt the instruments to new challenges. In this new financial perspective the Commission proposed an increase of around 30% in Community spending between 1992 and 1997, thus bringing total expenditure in 1997 to ECU 83 billion. To free the resources required to finance this expenditure, the Commission proposed progressively raising the ceiling on the Community's own resources from 1,20 to 1,37% of Community GNP between 1992 and 1997 and making certain adjustments to the structure of resources in order to give practical effect to the wish expressed by the European Council in Maastricht to take greater account of each Member State's capacity to contribute.

In February 1992 the Commission proposals were examined in detail by the Council's subordinate bodies. Special meetings of the Permanent Representatives Committee, assisted by an ad hoc working party, were devoted to that examination, which was based on very detailed technical documentation from the Commission and important contributions by the European Parliament and the Court of Auditors. These intensive discussions allowed the *Lisbon European Council* in June 1992 to put forward a set of political guidelines which included the confirmation of the *agricultural guideline*\*, the re-affirmation of economic and social cohesion as an essential dimension of the Community, the implementation of the Cohesion Fund in early 1993, an appreciable increase in the resources devoted to external actions and the rebalancing of the structure of own resources to take account of the situation of the least prosperous Member States.

In the second half of the year discussions were resumed on the basis of a document identifying the main outstanding questions and then a first set of draft conclusions which were to be adapted in the light of the progress of negotiations. Among the

contributions to the debate, that of the President of the Commission should be noted. At the beginning of November he submitted a compromise proposal, basically seeking to spread expenditure objectives over seven years as opposed to five, to keep the status quo for two years in respect of own resources and to redistribute certain funding between the Structural Funds and internal policies. On the basis both of the Presidency's draft conclusions and of the Commission compromise proposal, negotiations continued intensively at both technical and political level before an overall agreement on the whole package was reached at the European Council in Edinburgh.

The Edinburgh agreement represents a point of balance between the need to give the Community sufficient resources to finance its policies and the undeniable budgetary constraints facing Member States in the present economic climate. The status quo on *resources* was maintained for two years and the changes decided on in Edinburgh will not come into effect until 1995. From that date the own-resources ceiling will be gradually raised, to reach 1,27% of GNP in 1999. Moreover, in accordance with the undertakings entered into in Maastricht and Lisbon regarding the capacity of Member States to contribute, the proportion of resources deriving from VAT will be gradually reduced in favour of resources based on GNP, which is held to be fairer. Finally, the Commission will study the possibility of introducing a fifth resource, in accordance with the wish expressed by several Member States.

With regard to *expenditure*, the financial perspective resulting from the Edinburgh conclusions confirms the trend launched by the Delors I package to increase considerably the appropriations for economic and social cohesion and to stabilize agricultural expenditure in relative terms. To this must be added a new priority for external action by the Community and a tempering of the growth of administrative expenditure.

*Expenditure on cohesion* will reach ECU 30 billion in 1999 and ECU 176 billion

over the whole period 1993-1999, as against 67 billion during the preceding period. In accordance with the Maastricht agreements, structural action will be concentrated on the least prosperous Member States, outermost regions and rural areas. Most of the resources allocated will go to the Structural Funds, which will continue to operate in accordance with the broad lines of the 1988 reform, although an effort will be made to simplify procedures. The new *Cohesion Fund*, under which Spain, Greece, Ireland and Portugal will benefit, will for the whole period total a little over ECU 15 billion, allocated to the environment and transport infrastructure.

As regards *external policies*, the financial perspective makes provision for an increase of around 40% over the period and sets up two reserves intended for emergency aid and the financing of a guarantee fund for loans to third countries, with the aim of reducing the impact on the Community budget of possible debt defaulting. The other major categories of expenditure, i.e. those concerning *internal policies* and *administrative expenditure*, will progress at a more moderate rate than the sectors deemed to have priority. *Agricultural expenditure* will continue to rise within the limits of the *guideline* established in 1988. However, the European Council agreed that appropriate steps should be taken to fund the EAGGF Guarantee Section, if currency movements were to jeopardize the financing of the CAP.

The increase in overall funding resulting from the new financial perspective (from ECU 69,2 billion in 1993 to 84,1 billion in 1999 in commitment appropriations) goes hand in hand with a strengthening of budgetary discipline, which should be the subject of a new inter-institutional agreement between the Council, the European Parliament and the Commission, on the basis of the guidelines adopted by the European Council.

The Edinburgh agreement on the Delors II package provides an ambitious yet realistic financial framework for the development of the Community's policies until the end of the century. It now behoves the Community institutions and the Member States to ensure that the best use is made of resources to achieve the new objectives which the Union has set itself and, more generally, to contribute to continuing progress towards the construction of Europe.

## FUNCTIONING OF THE INSTITUTIONS AND INSTITUTIONAL AFFAIRS

### *Relations with the European Parliament*

In the steady build-up of relations between the Council and the European Parliament, 1992 has been a year of particularly active co-operation between the two Institutions, both in *legislative activity* as such and in the *political dialogue* in general.

Pending entry into force of the Maastricht Treaty and implementation of a new procedure giving more power to the European Parliament, called the *co-decision\** procedure, the Parliament's growing involvement in the Community's *legislative process* has continued on the basis of existing procedures. Under the *co-operation procedure\** brought in by the Single Act, the European Parliament has been closely associated in implementation of the Commission's White Paper on completion of the internal market. At the European Council in Edinburgh, tribute was paid to the constructive co-operation between Council and Parliament in this field, which enabled the 1 January 1993 deadline to be met. Thus, far from causing complications, as some people had feared, the new decision-making procedure brought in by the Single Act has proved highly efficient, especially through use of qualified majority voting.

Quite apart from the actual volume of legislation concerned (60 texts in 1992), Parliament's growing influence on the preparation of Community legislation can be seen from the large number of amendments of parliamentary origin adopted by the Council either on first reading (nearly half) or on second reading (over a quarter). These results augur well for future co-operation under the co-operation procedure - the scope of which has been considerably extended by the Maastricht Treaty - and under the new co-decision procedure.

Alongside this legislative work, the *political dialogue* between Council and Parliament has been particularly intense throughout 1992, in keeping with a universally acknowledged concern to remedy the "democratic deficit". In the first place, the dialogue took its usual form, whereby the Presidency keeps the Parliament regularly informed of the Council's intentions, its day-to-day activities and the results of its actions. The Portuguese and United Kingdom Presidencies thus came before the plenary session of the Parliament to present their programmes, and subsequently take stock of their six-month terms, in particular the results of the European Councils. Furthermore, in replying to the growing number of oral questions from the Parliament (nearly 340 questions in 1992), whether at question time or during the major debates in plenary session, the Presidency kept the Parliament abreast at all times of the Council's views on topical Community issues. There were, for example, debates on the Maastricht Treaty (April), the reform of the common agricultural policy (March), development co-operation policy (May), completion of the internal market and its social dimension (July), racism and xenophobia (October) and the principle of subsidiarity (November), which all provided the Parliament with opportunities for reacting to the Council's views and influencing its subsequent proceedings.

Considerable use was made of the *trilogue*, a more developed form of institutional co-operation bringing together Parliament, Commission and Council, for discussing subjects such as the progress of ratification of the new treaty, practical implementation of some of its provisions, renewal of the term of office of the

Commission President and the problems of enlargement. During the second six-month period, there were also several meetings of this type on the medium-term financial perspective (Delors II package) and renewal of the inter-institutional agreement on budget discipline.

Furthermore, following the positive experience with discussions on the Treaty of Maastricht, two *inter-institutional conferences* were held in November 1992, with a delegation from the European Parliament, the twelve members of the Council and the Commission meeting to discuss implementation of the principles of subsidiarity and transparency. This on-going political dialogue always helps towards better mutual understanding and may also, in some cases, result in the conclusion of formal agreements in which the Institutions undertake to observe certain rules of conduct. The Council has already indicated in this spirit that it would be ready to conclude such agreements on application of the principle of subsidiarity and on medium-term financial programming and budget discipline.

Lastly, 1992 was the first time that the President of the European Parliament entered into direct dialogue with the Heads of State and Government at the European Council in Edinburgh; previously his participation was confined to making a report. Thanks to this innovation, the various parties engaged in the construction of Europe will now be able to compare views at the highest political level; it shows the Council's awareness that the quality of inter-institutional relations is an important factor in the smooth running of the Community.

### *Institutional affairs*

At the end of 1992, the Edinburgh European Council reached agreement on two questions of particular importance for the future operation of the Institutions.

Firstly, it agreed to increase the number of members of the European Parliament and re-allocate seats between the Member States to reflect German unification and to cater for the forthcoming enlargement. The Decision follows the Parliament's proposal exactly, and brings the number of European parliamentarians to 567 (instead of 518); it will apply as from the next legislative period, in 1994.

Secondly, the European Council decided on the permanent seats of the Institutions and principal bodies of the Community, thus putting an end to the provisional arrangements which had obtained since the Community was founded, and several times been a source of some friction, especially between the Council and the European Parliament.

### **THE INTERNAL MARKET AND FREE MOVEMENT OF PERSONS**

1992 saw the Council embarking upon the last stage of its *legislative programme for completion of the internal market*, drawn up by the Commission in its 1985 White Paper. By dint of intense activity and unfailing political will, the objective of complete freedom of movement for goods, services and capital was achieved, in all essential respects, by the scheduled date of 1 January 1993. Where freedom of movement for persons is concerned, it has to be acknowledged that, despite considerable progress, matters have fallen somewhat behindhand.

Furthermore, as the 1993 deadline drew close, the Council increasingly turned its attention to the measures that would be needed to make the internal market work in practice; it adopted a Resolution on the subject which will form the basis for future work in the field, together with the conclusions of the report submitted by the Working Party chaired by Mr Peter Sutherland.



### *Controls on goods/customs union*

The Council adopted the remaining measures needed for the abolition of controls on goods at intra-Community frontiers, in particular cultural goods (see below). In December, the Council adopted conclusions on certain sensitive products capable of being used for both military and civil purposes, whereby such products will no longer be subject to regular frontier controls, but to non-discriminatory controls throughout Community territory. Alongside these measures, the Council adopted the new Community *customs code*, which combines all the provisions governing trade between the Community and third countries, previously scattered amongst some thirty pieces of legislation. This consolidation, probably the most important undertaking in Community legislation to date, represents major progress towards simplifying the customs arrangements and making them more transparent, for the benefit of all those engaged in international trade.

### *Free movement of persons*

Article 8a of the Treaty sets the goal of free movement for persons in conjunction with completion of the internal market. Member States have accordingly stepped up their co-operation, particularly on immigration and right of asylum, and measures to combat terrorism, organized crime and drug trafficking. Although some results have been achieved, the Edinburgh European Council was obliged to note that there had been insufficient progress with the alignment of national policies necessary for making the new freedom a reality but without posing a threat to public security. However, the European Council was able to note that travellers would benefit from some significant progress towards easing controls in the course of 1993, and asked the Ministers responsible to speed up their proceedings.

## Harmonization of legislation

The process of technical harmonization, which covers a broad range of products, continued throughout 1992. A number of important measures have been adopted, particularly in *the pharmaceuticals and motor vehicles sectors*. The Council adopted new arrangements for the pharmaceuticals sector which mark the culmination of twenty years' effort to establish a genuine common market in medicines. These arrangements include both a "centralized" system of Community-wide authorization for the most innovative products and a "decentralized" system based on the mutual recognition of national authorizations for other products. The Council also reached agreement of principle on the setting up of a European Agency for the Evaluation of Medicinal Products within this system. For *passenger cars*, the Council adopted the last Directives on *EEC type-approval* which will mean that, from 1 January 1993, any vehicle having obtained this type-approval can be marketed freely throughout the Community without having to go through twelve different national systems of type-approval.

As regards *public procurement*, with supply and works contracts already settled, the Council concentrated on public service contracts, reaching agreement on two Directives, one applicable to public contracts in general and the other to contracts awarded in the water, energy, transport and telecommunications sectors. In effect, these decisions mark the end of the legislative programme to free up public procurement and place it on a Community-wide footing; the capital importance of such measures for the proper functioning of the internal market scarcely needs to be demonstrated.

Following mutual recognition of higher-level *professional qualifications* achieved in 1989, the final stage on the road to freedom of movement for self-employed workers and employees came in June 1992 with the adoption of the second general system for the recognition of professional education and training. The Directive

provides for the mutual recognition of all secondary and post-secondary professional qualifications obtained by Member States' nationals.

### Financial services and insurance

The Council reached a long-awaited agreement on two Directives which lay the basis for the future Community market for *investment services in the field of securities*. These were, firstly, the "investment services" Directive, which provides that investment firms approved in their home country will receive a European "passport" authorizing them to do business throughout Community territory and, secondly, the Directive on capital adequacy applicable to banks and investment firms which sets the amounts of initial capital that these establishments will have to have in order to qualify for the "passport". Progress was also made on *banking law*, with the December adoption of the Directive on large exposures which underpins the stability of the banking system by limiting the risks which banks may take on in respect of one or more particular clients.

The Council completed the legislative programme for *insurance* contained in the White Paper by adopting three Directives on life assurance and insurance other than life assurance. These texts provide the basis necessary for mutual recognition of systems of prudential supervision between Member States. From 1 July 1994, insurance companies will be able to compete on a level playing field throughout the Community, in all branches of insurance, on the basis of an authorization granted by the home Member State, which will take sole responsibility for prudential supervision.

## *Abolition of fiscal frontiers*

**Abolishing fiscal frontiers between Member States seemed to be one of the knottiest problems to be solved before borders could be opened on 1 January 1993. Indeed, the different rates of VAT and excise duty in each Member State, the diversity of national monitoring systems and the substantial tax revenue generated by imports were all obstacles that could only be overcome through determined political will, backed up by pressure from economic interests.**

**On VAT, it took nearly three years of discussion to reach the conclusion that the formula initially envisaged - taxation in the country of origin - was not acceptable politically, and to move towards a transitional arrangement that involves keeping taxation in the country of destination. Between 1989 and 1991, the Council laid down the general framework for the new arrangements that were to enable fiscal frontiers to be abolished, while 1992 was spent finalizing the practical details, just in time to authorize the opening of borders on 1 January 1993. Consonant with the abolition of border controls, the new VAT arrangements remove the link which used to exist between the charging of tax and the actual entry of the goods into the fiscal territory of a Member State, while maintaining the principle of taxation in the Member State of destination (except for purchases by individuals, which will be taxed in the Member State of origin).**

**As a result of the new system neither firms nor individuals - whether, in the case of individuals, they are moving or importing goods for their personal use - will any longer be subject to VAT or any other formality when they cross an intra-Community border.**

**Progress has also been made towards abolishing fiscal frontiers as regards *excise duties* on fuel, tobacco and alcohol. For commercial operations, the new rules are similar to those already applied within the Member States. They are based chiefly on a system of interconnected warehouses throughout the Community. As for individuals, they are allowed to buy excisable products for their personal use in other Member States at the rate charged in the country of purchase. Unlike the VAT arrangements, the new excise duty rules have been laid down once and for all.**

**The abolition of fiscal frontiers goes hand in hand with close and continuing computerized co-operation between national administrations in order to eliminate the risk of fraud. It also presupposes, for both VAT and excise duty, a harmonization of the tax base and an alignment of rates in order to avoid distorting competition. For VAT, the Council set the standard rate at a minimum of 15%; Member States are also allowed to apply either one or two reduced rates, but not lower than 5%, to be confined to a number of goods and services which are basic necessities or meet an objective of social or cultural policy. As a parallel measure, the Council adopted a common structure for excise duty and minimum rates of duty on manufactured tobacco, mineral oils, alcohol and alcoholic beverages.**

**CREATION OF AN ECONOMIC AREA**  
**GENERAL AND SECTORAL ASPECTS**

*General economic trends*

1992 saw a serious deterioration in Europe's economic situation; growth slowed dramatically, rising unemployment rates topped 10% on average, industrial production decreased and Community exports fell. The economic downturn deepened budget deficits; the total Community deficit reached unprecedented levels in 1992. The only grounds for satisfaction came from the continued lowering of inflation, one of the few positive signs amidst all the economic indicators.

This worrying situation is due, amongst other things, to the international environment being less favourable than forecast. Economic growth in the other OECD countries has been weaker than anticipated and Community exporters have had to contend not only with less dynamic export markets, but also with tougher than expected competition from third countries. What is more, the appreciation of European currencies against the dollar has eroded the competitiveness of Community exports still further. This unfavourable economic environment has been aggravated by a measure of uncertainty surrounding the difficulties encountered in ratifying the Treaty on European Union and the successive delays in reaching final agreement on the Uruguay Round, all of which has sapped business confidence. The resulting turbulence on European money markets unsettled the system of exchange rates within the EMS which had been regarded as almost fixed, following a long period of stability; there were three realignments affecting the Portuguese escudo, the Italian lire and the Spanish peseta, then, as pressure continued, the lire and the pound sterling left the EMS exchange rate

mechanism. The French franc, the Danish krone and the Irish pound also come under severe pressure, which was halted by Central Bank intervention or higher interest rates.

In response to these events, the Birmingham European Council, while still fully committed to the EMS, asked the Finance Ministers, assisted by the Monetary Committee, with the involvement of the Commission and the co-operation of the Central Bank Governors, to consider the causes of the financial turbulence witnessed in the second half of the year, in the light of developments in capital markets and the European and world monetary systems.

*Co-ordination of economic policies and growth initiative*

Against this background, the Economics and Finance Ministers' regular monitoring of the economic situation in the Community took on particular significance. As part of their multilateral surveillance exercises, the Ministers undertook a systematic assessment of the economies of the Member States so that their policies could be as closely co-ordinated as possible, as provided for in the first stage of Economic and Monetary Union (EMU). In order to achieve lasting convergence between their economies more quickly, and secure a smooth transition to the following stages of EMU, the Member States implemented *convergence programmes*\* setting out major economic policy objectives and the measures to be taken to achieve them. During 1992 the Council examined convergence programmes from Ireland, Germany, Spain, Netherlands and Belgium and re-examined the Italian programme initially submitted in November 1991.

Faced with the worsening economic situation, the Heads of State and Government meeting in Edinburgh on 11 and 12 December decided on a number of measures designed to restore business confidence and start a recovery process boosting growth and jobs, without endangering the objectives of controlling inflation and

**maintaining budget discipline, these being inherent in the achievement of Economic and Monetary Union.**

**The *initiative for growth* adopted in Edinburgh sets out a three-pronged approach. Firstly, concerted implementation of *national measures* designed to promote investment; secondly, creation of a *European Investment Fund* with capital of ECU 2 billion involving the Community, the EIB and other financial institutions in order to offer investment credit guarantees; thirdly, implementation of a *temporary lending facility* of ECU 5 billion within the EIB, the purpose being to accelerate the financing of infrastructure projects, in particular those connected with Trans-European networks. All in all, the Community action provided for in the initiative will provide some ECU 30 billion of support for public and private sector investment in the Member States over the coming years.**

#### **Industrial policy - general aspects**

**The Council concentrated on creating a climate conducive to recovery and strengthening the industrial fabric of the Community by administrative streamlining, by establishing a legal framework favourable to undertakings and by improving competitiveness, with due regard for the environment.**

**Aware that the increasing complexity of Community legislation might impose a disproportionate burden on undertakings, particularly SMUs, the Industry Council adopted a Resolution on *administrative simplification* in November 1992. It asked the Commission to take full account in the preparation of its proposals of the constraints they might impose on undertakings, compared with the likely benefits. For its part, the Council undertook to avoid imposing any excessive or unjustified burden on undertakings when it comes to take decisions on Commission proposals**



and invited the Member States to work along the same lines. Regarding the *relationship between industry and the environment*, the Council announced its intention that environmental protection requirements should henceforward be taken into account in the definition of policies designed to increase industrial competitiveness, in order to secure sound and lasting growth for the economy. Accordingly, it adopted a Resolution inviting the Commission to promote a continuing dialogue with industry to seek ways of achieving environmental objectives, while leaving undertakings sufficient flexibility to adjust to new requirements. Lastly, on *intellectual property*, 1992 did not see any agreement reached on the Community patent or the setting up of the European Trade Mark Office, despite some progress, but a number of important pieces of legislation were adopted in the field of copyright.

#### Sectoral aspects

The situation in the Community *steel industry* deteriorated markedly at the end of the year owing to a sharp fall in prices due, amongst other things, to the general economic recession, production over-capacity and increased competition from Central and Eastern Europe and the CIS, combined with export difficulties. The Council discussed the various aspects of the problem in the closing months of 1992 and agreed to return to the question, and in particular the issue of a new restructuring drive, right at the beginning of 1993.

As regards *shipbuilding*, in July 1992 the Council approved a Directive allowing shipyards in the five new German Länder to be granted aid compatible with the common market, provided that it did not exceed 36% of annual turnover and that

a genuine and irreversible reduction in capacity of 40% was achieved by the end of 1995.

Lastly, on *motor vehicles*, the Council discussed the Commission's communication on the future of the European motor vehicle industry and drew attention, in a Resolution, to the importance of completing the internal market and also to the need for an environment favourable to adaptation by Community undertakings and for the international markets to function satisfactorily.

### Transport

In the run-up to the single market, the Council concentrated its energies in 1992 on putting in place the final measures needed for full liberalization of transport services in the Community.

On 23 July 1992 the Council adopted a package of measures on *air transport* which rounds off the liberalization of intra-Community flights by introducing free pricing, broad freedom of access to all routes for Community airlines and a common system for the issue of operating licences to air carriers established in the Community. This full liberalization of air transport goes hand in hand with the adoption of a number of provisions on competition and efforts to harmonize ticket reservation, aircraft safety, noise and the granting of pilot's licences, in order to maintain high safety levels and protect consumer interests. Lastly, in December 1992 the Council reached agreement of principle on a Regulation on the allocation of slots at Community airports establishing a code of conduct to guarantee the transparent, efficient and non-discriminatory allocation of slots against a background of mounting difficulties in respect of managing air space and Community airport capacity.

As with air transport, the principle of freedom to provide *maritime transport* services within Member States was established in 1992, subject to certain specific derogations. To that end, the Council adopted a Regulation providing for the gradual liberalization of maritime *cabotage*\* for Community shipowners, according to a precise timetable going up to the year 2003.

For *road and rail transport*, however, the Council was unable to complete the liberalization of the road haulage market owing to lack of agreement on the final arrangements for road *cabotage* and on tax questions (taxing of fuel, tolls, etc.). The Council did reach agreement on a number of measures to liberalize the transport of passengers by bus, including non-discriminatory access to the international transport market for carriers from all Member States, and cabotage, which will apply from 1996. On the external front, major agreements on *transit* were concluded with *Austria* and *Switzerland*, containing measures designed to promote rail transport and combined road/rail transport and the necessary infrastructure work. The agreement with Austria also provides for a system to control transit traffic by linking the authorized number of transit journeys made by lorries to a reduction in the pollution caused (Ecopoints system). The agreement with Switzerland limits the total laden weight of lorries in transit to 28 tonnes, with certain exemptions should there no longer be any combined transport capacity available.

#### Telecommunications/HDTV

The Council continued to pursue the policy adopted in 1990, which was to establish an internal market for telecommunications services combining liberalization and harmonization, in particular through the implementation of *open network provision (ONP)*\*. Accordingly, it adopted a Directive on the application of ONP to leased lines and two recommendations implementing ONP principles, firstly to

Packet-switched Data Services (PSDS) and secondly to Integrated Services Digital Network (ISDN) access.

On several occasions the Council studied the action plan proposed by the Commission for the introduction of advanced television services in Europe. The action plan, lasting 5 years, is designed to develop the market for advanced satellite and cable services, based on the D2-MAC and HD-MAC standards (in particular in the 16:9 format), subject to financial support from the Community to cover a part of the cost of supplying such services. At the close of its meeting on 15 December, the Council noted that there were still substantial differences over the action to be taken on the Commission plan, owing to current uncertainty as to technological developments in the sector.

### Energy

The Council first endeavoured to make progress towards the gradual elimination of barriers to the *free movement of energy products and services*, which entails action in many fields, such as supplies of raw materials, ownership of and prospecting for domestic resources, *third-party access to networks\** and establishment of infrastructure, control of shipments of some nuclear materials and lastly technical harmonization measures. In 1992 the Council adopted a Directive on the control of shipments of radioactive waste between Member States and a Directive on the indication by labelling of energy consumption by household appliances.

The second task addressed by the Community was to ensure the *compatibility of energy policy with environmental protection* in accordance with the objectives laid down by the Rio conference (see below). With that end in view, the Commission submitted to the Council a communication on a Community and global strategy to limit carbon dioxide emissions. The Council set in hand a number of specific measures under the SAVE programme to improve energy efficiency and the

**ALTENER programme to promote renewable energy sources. Internationally, the Community made its contribution to the implementation of the *European Energy Charter*\* signed in The Hague in 1991, the purpose of which is in particular to provide the countries in Central and Eastern Europe with an international-law framework to underpin their reforms. There was moreover very sizeable technical and financial assistance for those countries in the main energy-policy areas, in particular nuclear safety.**

### **Research**

**The Council rounded off the implementation of the third framework programme in the field of research and technological development (1990-1994) with the adoption of the last three specific programmes, on human capital and mobility, biotechnology and measurements and testing. Lest the continuity of the Community's research effort be placed in jeopardy in 1993 and 1994, the Council also agreed in December to add a sum of ECU 900 million to the figure earmarked for the third framework programme, bringing its total to ECU 6 600 million.**

### **Economic and social cohesion and regional policy**

**Economic and social cohesion issues were discussed under the Delors II package (see above). In *regional policy*, the Community continued its action to assist the most remote regions of the Community (the French overseas departments, the Canary Islands, the Azores and Madeira), whose geographical and economic situation calls for special measures in accordance with the guidelines laid down by the European Council in 1988. During 1992 the Council adopted a number of Regulations to assist the Canary Islands, the Azores and Madeira and the French overseas departments with regard to their customs arrangements, agriculture and fisheries.**

## **THE COMMON AGRICULTURAL POLICY**

The key event in agriculture during 1992 was unquestionably the decision on *the reform of the common agricultural policy*. This was taken after a very long debate which had been going on at the Council since 1991 on the basis of two Commission communications. The debate had dealt initially with the development of Community agriculture, which had been subject since 1984 to increasingly restrictive measures aimed at controlling production and bringing it more into line with the actual market situation. Despite the growing severity of these measures (MGQ, quotas, price freezes, expenditure capping) the situation in a number of production sectors was still marked, in early 1992, by large structural surpluses. The Commission was thus able to demonstrate that the system of price guarantees directly linked to the level of production - the main element of the market-support policy since it was introduced in the sixties and seventies - inevitably led to increased production which in turn resulted in vast intervention stocks and an uncontrolled rise in budgetary expenditure, without improving farmers' incomes.

Given this situation, the idea of a more radical reform gradually took shape, a reform derived from a questioning of the link between the level of financial support and the quantities produced. Reform was inevitable for reasons inherent in the internal situation of Community agriculture, but there were other grounds for it as well, in that the Community needed to play a positive part in settling the agricultural aspect of the Uruguay Round negotiations, which were about to enter a decisive phase.

Following a discussion which became particularly intense during the first five months of 1992, the Council reached a political agreement on 21 May 1992. This was confirmed by the formal (and unanimous) adoption on 30 June 1992 of the various Regulations embodying the reform in sectors of arable crops, tobacco,

milk, beef and veal and sheepmeat. In broad terms, the reform does not call into question the fundamental principles of the CAP: price unity, Community preference and financial solidarity. It is based on three main factors. First, a *substantial reduction in support prices*, to bring them into line with the actual market situation and to make agricultural products more competitive on the Community and world markets. Second, the introduction of a system of *compensatory aid or premiums* to neutralize the effect of lower prices on farmers' incomes. Such aid no longer depends on the quantities produced but is determined by land area or by references to past practices, so as not to encourage any increase in production. Third, the introduction in the arable-crop sector of an annual *set-aside\** scheme based on rotation, with a rate of 15% for the first year. As well as these new arrangements, there are a number of "back-up" measures concerning environmental protection, the afforestation of agricultural land and the setting up of an early-retirement scheme for farmers.

The new support mechanisms introduced under the reform necessitated controls, and so the Council adopted in November 1992 a Regulation establishing *an integrated administration and control system*, which provides for the creation of a database listing the holdings, plots and animals that are eligible for the various premiums. Still in the interests of ensuring control that was as effective as possible, the Council likewise adopted a Directive introducing a system of animal identification to make it possible to control the granting of the various premiums created by the reform and monitor intra-Community trade following the abolition of veterinary controls at frontiers. Given this set of measures, the new system of compensatory aid linked to cultivated area or the number of animals held on each holding can take effect as from 1993, or at all events before the start of the new marketing years.

The task that now falls to politicians at both Community and national level is to explain and to persuade farmers themselves to accept a reform which will be guiding their activities and determine their incomes in the years to come. Early in 1993 the Commission will submit a report on the practical implementation of the reform and any difficulties it might cause to certain farmers, thus enabling appropriate solutions to be found.

Following these decisions of prime importance for the future of Community agriculture, the Council concentrated during the second half of the year on a number of dossiers concerned with consolidation of the reform itself, completion of the internal market and observance of certain international obligations.

At its meeting from 14 to 17 December 1992, after discussions which had been going on for several months, the Council agreed to *a number of decisions supplementing or adjusting the CAP reform* in various sectors, including cattle and sheep breeding and durum wheat. And following more than two years of quite hard work, the Council adopted a package of measures concerning Community protection of *registered designations of origin* and geographical descriptions of agricultural products and foodstuffs. The Council thus signalled the Community's concern to introduce a decisive policy to protect and increase the value of quality agricultural products and so help to improve agricultural incomes. As well as supplementing the reform in this way, the Council adopted a number of *measures in the run-up to the 1 January 1993 deadline*. Among other things, it adopted a new system for automatically adjusting support prices to monetary fluctuations. This established the *switch-over\** system and finalized the permanent discontinuation - necessitated by the abolition of frontier controls - of monetary compensatory amounts. Likewise, it moved ahead with the harmonization of national legislation in the areas of animal and plant health and of hygiene. With



regard to the veterinary field, the Council adopted in December a series of measures to ensure that, as required by the single market, all veterinary controls at the frontiers between Member States were abolished as from 1 January 1993.

In the banana sector, which had become politically very sensitive because of the diverging interests at stake, the Community sought to reconcile free movement within the single market, the protection of Community producers' interests and, externally, the need to honour the Community's ACP and GATT commitments. On the basis of the guidelines which it laid down in December, the Council undertook to adopt the necessary texts before 1 March 1993, so that the new arrangements would be fully effective by 1 July 1993.

In the sphere of external relations, the Council paid close attention to developments in the agricultural negotiations of the Uruguay Round. At each of its meetings in 1992 it took stock, together with the Commission, of the progress of the negotiations. At the end of 1992 the Council concentrated on the question of whether the result of the negotiations as presented by the Commission was compatible with the reform of the CAP (see below).

## COMMON FISHERIES POLICY

After several discussions at ministerial level, the Council adopted a *new Community system for fisheries and aquaculture* on 20 December 1992 to replace the one set up in 1983. In the face of diminished resources, the aim of the new rules is to ensure that fish stocks are exploited responsibly, with due care for the marine ecosystem, while safeguarding the legitimate interests of fishermen and consumers. The Regulation carries forward the main achievements of the current policy, especially as regards access to fishing zones and the allocation of fishing activity as between the Member States. In addition, there is to be a Community system of *licences* administered by the Member States and more effective control measures are to be introduced. The Council will soon draw up the details of multiannual action concerning production structures, the aim being to achieve in the medium term a sustainable balance between resources and their exploitation. All these measures reflect a desire to guarantee the industry a degree of predictability and a certain security by establishing a coherent framework within which it will be possible for the Community's fishing activities to develop smoothly over the next ten years.

In parallel with these reforms, the Council continued its policy on the *annual management of fishery resources*, adjusting the total allowable catches (TACs) and quotas for 1992 and adopting new TACs and quotas for 1993. It also sought to improve the biological situation of stocks by introducing new *technical conservation measures\** applicable to fishing and it reviewed the common organization of the market to ensure greater price stability. Externally, the Council continued its policy of expanding the fishing opportunities allowed to Community fishermen in the waters of third countries, in particular by renewing a series of agreements, including the very important one with Morocco.

**EUROPE AND THE CITIZEN: POLICY ON SOCIAL AFFAIRS,**  
**EMPLOYMENT, EDUCATION, CULTURE, HEALTH,**  
**CONSUMER PROTECTION AND THE**  
**ENVIRONMENT**

*Social and employment policy*

The deteriorating employment situation received the Council's attention throughout the year. This resulted in an initiative by the European Council in December on promoting economic recovery in Europe [see above] and a Resolution outlining the framework for future action to reduce unemployment. The Council points out in the Resolution that measures to combat unemployment are in the first instance the responsibility of the Member States, but that co-ordinated supporting action Community-wide can increase their chances of success. It states that economic growth and the improved competitiveness of enterprises are the precondition for improving employment, and emphasizes the part which can be played by certain changes in the way that work itself is organized. The Council goes on in the same Resolution to stress the importance of both sides of industry playing an active part in seeking solutions to the problems caused by unemployment both on a European scale and nationally. Among the specific measures to be implemented, the Council mentions information, training and vocational education, improved working conditions, growth of the services sector, all forms of work-sharing, and voluntary approaches to the organization of work.

As well as this Resolution on the general approach to the problem of unemployment, the Council continued examining a number of specific proposals based on the *Community Charter of the Fundamental Social Rights of Workers\**. In the area of the *free movement of workers*, the Council considered the possibility of extending to new beneficiaries the rights established by 1968 regulations and

adopted a new system for clearing vacancies and applications for employment (EURES) to ensure the greatest possible transparency in the labour market. As to *working conditions*, the Council made progress on the question of adjusting working time but because of the Member States' differing situations, practices and concepts did not at that stage reach a final agreement. It did, however, agree on a Directive that improved the procedures for prior consultation with workers' representatives in the event of large-scale redundancies whether the decision was that of the direct employer or of another undertaking which controlled that employer. The Council also addressed a Recommendation to the Member States calling on them to make wider use of the arrangements for individual or collective participation by employees in company profits and assets and in this context to take account of the respective roles and responsibilities of management and labour.

In 1992 (European Year of Safety, Hygiene and Health Protection at Work) the Council systematically continued its activities to ensure the *protection of workers' health and safety* by adopting a number of specific Directives covering temporary and mobile work sites, the provision of signs, the extractive industries, medical treatment on board vessels and the situation of pregnant women.

### Education

In their conclusions on the European dimension in higher education, the Education Ministers noted that for financial or other reasons many students were unable to benefit directly from the Community programmes in this area: COMETT, on co-operation between the universities and industry; ERASMUS, on the mobility of students between Member States; and LINGUA, on the learning of European languages. They therefore asked the Commission to consider further measures

to increase the mobility of teachers and the number of links between higher education establishments. They discussed various aspects of *distance learning* in view of the growing importance of this form of education and the scope for using it across frontiers. The guidelines that were established will enable the Commission either to submit a specific proposal or to incorporate this particular dimension of education into existing programmes. The Council renewed for one year the TEMPUS programme concerning a trans-European mobility scheme for university studies (a pilot phase for three years began in 1990). The programme is aimed at the Central and East European countries taking part in the PHARE economic aid programme, enabling them to obtain support for developing their higher education systems through co-operation with university or industrial partners from the Community.

### Culture

In the run-up to the single market, the Council adopted a text on the *export of cultural goods* to third countries and one on the *return of cultural objects unlawfully removed from the territory* of one Member State to another. These rules do not affect the principle whereby the responsibility for protecting national treasures lies in the first instance with the Member States. Their purpose is to set up at the Community's external frontiers the control arrangements necessitated by the abolition of its internal frontiers. They establish a co-operation procedure between Member States to enable them to secure the return to their territory of cultural objects which have been removed from it unlawfully.

On a more general level, the Ministers for Culture, drawing on what had been learnt from a series of priority measures implemented since 1988, adopted conclusions on "*guidelines for Community cultural action*" in the years ahead with regard to the audiovisual sector, books and reading, business sponsorship in the

arts, cultural heritage, strengthening the dialogue between the public authorities and professional interests, and cultural co-operation with third countries and international bodies.

### Health

In 1992 the Council mainly devoted itself to a general discussion of the guidelines and framework for future action by the Community in the field of public health. The matters considered included: the campaign against the major health scourges (cancer, AIDS, drug abuse); hereditary diseases; health education; and blood products, with the complex problems arising from their availability, use and free movement. A further step was taken in the fight against cancer with the adoption of a Directive strengthening the requirements governing the labelling of tobacco products.

### Environment

Community action on environmental protection continues to arouse considerable interest not only on the part of those directly involved but among the general public as well. 1992 will have marked an important step, owing to the number and scope of the legislative instruments adopted internally, and the work done at international level - the foremost example being the United Nations Conference on Environment and Development in Rio in June. Throughout the Conference, known as the "Earth Summit", the Community played a key role in promoting the idea of *sustainable development* \* and of a global vision of the environment which found expression in the signing of the Convention on Climate Change and the Convention on Biological Diversity and in the adoption of many other agreements including the Earth Charter, Agenda 21, the Statement on Forests and the decision on

**desertification control.**

**On an internal level, the Council approved in a Resolution the broad lines of the fifth environmental action programme (1993-2000) submitted by the Commission. The programme as conceived represents a turning-point and provides the general framework for all the Community's specific forms of action in the next few years, all of which will now be broadly based on the new concept of sustainable development.**

**The many specific measures adopted by the Council in 1992 include the "HABITATS" Directive on *the protection of endangered species of fauna and flora*, which establishes a European network of protected natural areas. In the increasingly sensitive field of *waste disposal*, the Council adopted a Regulation on the supervision and control of shipments of waste, with the aim of minimizing the risks inherent in the movement of waste. The Regulation applies to trade between Member States and to shipments into and out of Community territory and will enable the Community to comply with the provisions of the Basle Convention on the control of transboundary movements of hazardous wastes and their disposal. As part of a new policy to encourage consumers to choose products which cause least harm to the environment, the Council set up the ECO-LABEL system. This is a Community system of *ecological labelling* based on an assessment of a product's environmental impact throughout its life-cycle. And in accordance with the measures agreed internationally (Montreal Protocol), the Council approved a new Regulation designed to speed up the phasing-out of substances that deplete the ozone layer.**

**On a more general level, the Council created the instrument known as "LIFE", which will in the future provide a coherent framework for financing all the**

Community's environmental actions subject to the "polluter pays" and subsidiarity principles.

### Consumers

The Council adopted a Resolution on future priorities for the development of consumer protection policy (consumer information and education, legal redress, safety and health, defence of economic interests and, more generally, taking consumer protection into account in all common policies). As regards legislation, the Council adopted a Directive on *general product safety*, which lays a general obligation on manufacturers, importers and distributors to produce and sell only safe products. It also agreed on a Directive aimed at eliminating *unfair terms in contracts* and made progress on several other important proposals from the Commission including those concerned with regulating, in the consumer's favour, *contracts negotiated at a distance* and *time-sharing*.

## EXTERNAL RELATIONS AND DEVELOPMENT CO-OPERATION

### Uruguay Round

The *Uruguay Round* negotiations remained one of the Community's main priorities. It stated on several occasions that it intended to strive for a balanced overall compromise that would strengthen the multilateral trading system and help revitalize the world economy. At its meetings in late December 1991 and early 1992 the Council took the view that, insofar as it called into question the very foundations of the common agricultural policy, the draft Final Act submitted by the GATT Director-General was unacceptable and so would have to be amended. As to the other aspects, the Council accepted that the draft had some positive



features but thought that the result was not a balanced one and that it would have to be improved in certain respects. It soon became apparent that the multilateral negotiations at Geneva could not make any real headway until the Community and the United States reconciled their differences of approach on the most important issues, especially agriculture. Following the Agriculture Council's decisions in May on the reform of the common agricultural policy, the process of bilateral discussions with the United States became reactivated and led in November 1992 to a compromise, subject to confirmation, between the Commission as Community negotiator and the United States. The General Affairs and Agriculture Councils reviewed the situation at their meetings in December 1992 in the light of a Commission report on the compatibility of the compromise with the reform of the CAP. The General Affairs Council concluded that this issue of compatibility should continue to be studied by the appropriate bodies, that substantial results on the non-agriculture subjects were still needed if a balanced overall agreement was to be concluded, and that the overall result of the negotiations would have to be examined in due course.

#### European Economic Area - prospects for enlargement

The Agreement on the European Economic Area was signed in Oporto on 2 May 1992. Following the "no" vote in the Swiss referendum on 6 December 1992, negotiations will soon be under way to make the necessary amendments to the Agreement so that it can be implemented by the other Contracting Parties.

After pointing out that under the Treaty on European Union any democratic European State could apply to join the Union and that the EEA Agreement had paved the way for the opening of enlargement negotiations, the European Council meeting in Lisbon called on the Institutions to expedite the preparatory work on the accession of the applicant EFTA countries, adding that official negotiations

would begin as soon as the Treaty on European Union had been ratified and agreement had been reached on the DELORS-II package. At its meeting in Edinburgh the European Council noted the agreement reached on the future financing of the Community and the prospects for early ratification by all Member States of the Treaty on European Union and agreed that negotiations for accession to the European Union could start with Austria, Sweden and Finland at the beginning of 1993 and with Norway once the Commission's opinion was available. The negotiations could not be concluded until the Treaty on European Union had been ratified by all the Member States.

As regards the accession applications from Turkey, Cyprus and Malta, the European Council took the view that each one should be considered on its merits. Relations with Turkey would be intensified in line with the prospect set out in the Association Agreement of 1964, including a political dialogue at the highest level. Relations with Cyprus and Malta would be strengthened on the basis of the Association Agreements and their accession applications and by intensifying the political dialogue.

#### *Countries of Central and Eastern Europe - Former USSR*

At both Lisbon and Edinburgh, the European Council reaffirmed the Community's desire to develop close co-operation with the countries of Central and Eastern Europe under Europe Agreements designed to support their efforts to restructure their economies and their institutions and thus prepare for the accession they were seeking to the Union. Agreements of this kind mainly involve the gradual creation of a free-trade area, extensive economic co-operation and the institutionalization of the political dialogue. They were first concluded with the Visegrad countries (Poland, Hungary, Czechoslovakia) and then with Romania and Bulgaria. "First generation" trade and co-operation agreements, to prepare the way for the eventual

conclusion of Europe Agreements, were concluded with the Baltic States and Albania. Activities under the PHARE programme, whose purpose is to support the process of reform in the countries of Central and Eastern Europe, continued in 1992 with increased funds (ECU 550 million in 1990, ECU 800 million in 1991 and ECU 1 000 million in 1992).

In its declaration on Russia and the Commonwealth of Independent States, the European Council in Edinburgh renewed the Community's commitment to help the transition from communism to democracy in order to ensure the full integration of those countries into the world's political and economic systems. In October 1992, the Council accordingly adopted directives for the conclusion of partnership and co-operation agreements, to establish close political and economic relations between the Community and each of the 12 Republics of the former USSR. Already, the implementation of the TACIS technical assistance programme (ECU 450 million for 1992) is providing substantial support for complex economic reforms in the States of the former Soviet Union and for their transition to a market economy.

The Community is also providing a considerable volume of humanitarian aid, making a sizeable contribution to the improvement of people's living conditions and thus giving reform a better chance of succeeding.

On the world stage, co-ordination of international aid to the States of the former USSR was discussed at Conferences in Washington (January), Lisbon (May) and Tokyo (October). Lastly, an Agreement was signed in November 1992 between the Community, the USA, Japan and Russia establishing an International Science and Technology Center for the retraining of scientists and engineers from the former USSR specializing in the field of nuclear weapons and weapons of mass destruction.

### Former Yugoslavia

Following the denunciation in 1991 of the 1980 EEC-Yugoslavia Co-operation Agreement, the Community adopted positive measures vis-à-vis the four Republics of the former Yugoslavia co-operating in the peace process (Slovenia, Croatia, Bosnia and Herzegovina, and the territory of the former Yugoslav Republic of Macedonia), in order to continue to allow them to benefit from the commercial and economic advantages under that Agreement. With regard to Serbia and Montenegro, the Community implemented a trade embargo in accordance with United Nations Resolutions. The Community also made an especial budgetary effort to assist victims of the conflict, in addition to national aid from the Member States. All of these Community measures served to back up action undertaken in political co-operation as well, to try and bring about a negotiated settlement to the conflict (see below).

### Mediterranean - Gulf

*The redirected Mediterranean policy* became fully operational with the adoption of the regulations required for its implementation and the conclusion of the 4th Financial Protocols with Algeria, Morocco, Tunisia, Egypt, Jordan, Lebanon and Israel and the 3rd Financial Protocol with Syria. The Community is thus involved in greater commercial, economic and financial co-operation with its Mediterranean partners. The Lisbon European Council also adopted a declaration on relations between Europe and the Maghreb, in which it showed its determination to place those relations on a footing which, in scale and intensity, is commensurate with the links forged by geographical proximity and by history.

At a ministerial meeting held in Kuwait in May the Community also continued strengthening its co-operation with the countries parties to the Charter of the Co-operation Council for the Arab States of the Gulf (United Arab Emirates, Bahrain,

Saudi Arabia, Oman, Qatar and Kuwait).

### ACP

The Community's steadfast commitment to its ACP partners was demonstrated by the active pursuit of the co-operation objectives laid down in the new Lomé Convention, which came into force in 1991. In the sphere of trade, the Community endeavoured to allay the fears of its ACP partners that they might not continue to benefit from their advantages and opportunities for access to the Community market, with the prospects of the conclusion of the GATT multilateral negotiations, the reform of the common agricultural policy and lastly the future Community arrangements for sugar and bananas. In the field of financial co-operation, the ACP-EEC Council of Ministers in particular adopted an important Resolution on structural adjustment in the ACP States. Faced with the many situations of distress suffered by people in some ACP States, particularly in Africa, the Community and its Member States continued to show their active solidarity. An additional budgetary effort was made for a further food-aid programme providing in 1992 for an extra 800 000 tonnes of cereal equivalent in aid, chiefly for countries in the Horn of Africa and Southern Africa experiencing an unprecedented drought. In particular, the Community and its Member States played a very considerable part in humanitarian assistance for Somalia.

In its relations with the ACP States, as indeed with its other developing partners, the Council implemented the principles contained in its Resolution on human rights, democracy and development. In particular, it supported with practical measures the efforts of ACP States taking the road to democracy and human rights observance and it was prompted, where the breaches of those principles are most flagrant (Sudan, Somalia, Malawi, Zaire, Haiti and Liberia), to suspend economic

assistance, while continuing with humanitarian aid.

### Latin America - Asia

The network of third-generation Co-operation Agreements now extends to the vast majority of the Community's partners in Asia and Latin America. These Agreements feature a reference to observance of democratic principles and human rights as a fundamental element of the Agreement together with substantially broadened and strengthened co-operation more closely geared to developments in the situation in those countries. In 1992 such Agreements were negotiated with Brazil, India, Macao, Mongolia, the Andean Pact and Uruguay. Moreover, access to EIB loans was opened up, within certain limits, to partners in Asia and Latin America with which the Community has concluded Co-operation Agreements. Under the institutionalized political and economic dialogues, the second meeting with the Rio Group was held in Santiago de Chile in May 1992, on which occasion the Commission signed an inter-institutional Co-operation Agreement between the European Communities and MERCOSUR (Argentina, Brazil, Paraguay and Uruguay). The 8th meeting in the dialogue with Central America was held in Lisbon on 24 and 25 February 1992 and the 9th ministerial meeting with ASEAN in Manila in October 1992.

### Japan

In its conclusions of 15 June 1992, the Council confirmed the need, under the political and economic dialogue established by the EEC-Japan Joint Declaration, to continue with a balanced approach aimed both at improving access to Japanese markets and at stepping up economic co-operation. It laid down objectives and methods under that approach, which in the case of economic relations include statistical analysis of developments in trade in order to pinpoint problems with a view to their timely resolution.

Lastly, the Council continued adapting *development policy* to new situations and challenges. Particular reference should be made to the declaration of 18 November 1992 on aspects of development co-operation in the run-up to 2000, which gears Community strategy to the consolidation and development of democracy, sustainable economic and social development, in particular for the most disadvantaged developing countries, the smooth and gradual integration of the developing countries into the world economy and the campaign against poverty.

## POLITICAL CO-OPERATION

### Central and Eastern Europe

Following the dissolution of the Soviet Union at the end of 1991 the Community and its Member States noted that the international rights and obligations of the former USSR would continue to be exercised by Russia. The Member States duly recognized the eleven other former Soviet Republics as independent States on the basis of the criteria set out in their statement of 23 December.

The Community and its Member States are playing their full part in international efforts to help the economies of Russia and the other new States. They have also been actively pursuing political dialogue. A number of high-level meetings have been held in EPC, including ministerial ones, with the Ministers for Foreign Affairs meeting in March 1992 in Brussels and in September 1992 in New York, to coincide with the United Nations General Assembly. A more substantial political-dialogue component is currently being negotiated with Russia under the partnership agreement.

The Community and its Member States have strengthened ties with Estonia, Latvia and Lithuania (signing a Trade and Co-operation Agreement and adopting a joint declaration on political dialogue in May 1992).

The provisions on political dialogue contained in the Europe Agreements signed with the Visegrad countries (Poland, Hungary and Czechoslovakia) in December 1991 are already being implemented de facto. A Europe Agreement was initialled with Romania on 17 November 1992 and a Trade and Co-operation Agreement signed with Albania in May 1992, with a joint declaration being adopted on political dialogue.



## Former Yugoslavia

The Community and its Member States have strongly condemned the continuing violence in the former Yugoslavia, for which they consider Serbia bears primary responsibility. They have continued to be actively involved in the process of finding a peaceful and lasting solution to the conflict through the International Conference on Yugoslavia chaired jointly by the UN and the European Community, through the European Community Monitoring Mission, in the framework of the CSCE and through direct contact with the parties concerned. Sadly, the considerable activity engaged in by the Community and its Member States has not yet managed to bring about a peaceful settlement to the crisis.

United Nations Security Council Resolution 713 of 25 September 1991, which imposed an *arms embargo* on all the Republics of the former Yugoslavia, has been implemented by the Community and its Member States.

Following the adoption on 30 May 1992 of United Nations Security Council Resolution 757, the Community and its Member States adopted on 1 June 1992 an EEC Regulation and an ECSC Decision implementing economic sanctions against Serbia and Montenegro.

The *UN Protection Force* (UNPROFOR) and the *EC Monitoring Mission* (ECMM) co-operate on the ground in the implementation of the UN peacekeeping plan. As part of the UN plan, the ECMM has taken up monitoring duties in the "pink zones", i.e. areas outside the UN-protected areas, which remain under Serb control. It also helps UNPROFOR supervise the demilitarization and disarmament process. The ECMM is currently extending its operation to monitor developments in Bulgaria, Hungary and Albania on their borders with the former Yugoslavia.

Effective delivery of *humanitarian aid* to Sarajevo and elsewhere remains a priority. Important steps have been taken to ensure the passage and protection of humanitarian flights and convoys, notably through United Nations Security Council Resolutions 776 and 781.

The Community and its Member States have repeatedly deplored all *human rights abuses* in the former Yugoslavia, including the practice of ethnic cleansing in Bosnia and Herzegovina. They have condemned the existence of detention centres, especially in Bosnia and Herzegovina, and called for camps to be opened immediately to international inspection and shut down as soon as possible. They have also insisted that all displaced persons should be enabled to return in peace to their former homes.

The Community and its Member States have strongly endorsed United Nations Security Council Resolution 780 on *war crimes* and welcome the appointment of a commission of experts to assist the Secretary-General in the analysis of evidence. The perpetrators of mass killings and other grave breaches of international humanitarian law will be held individually responsible for their actions and the Community and its Member States will co-operate with the United Nations and the relevant bodies in ensuring that justice is done.

### *Middle East*

The Community and its Member States remain firmly committed to the sovereignty, unity, independence and territorial integrity of all States in the region. They are firmly resolved to play a constructive and active role in both the bilateral and multilateral tracks of the peace process, based on their positions of principle and on United Nations Security Council Resolutions 242 and 338.

The Community and its Member States remain committed to prompt and full implementation of all Security Council resolutions pertaining to *Iraq*. They welcome the sustained effort of the UN Security Council to this end.

The Community and its Member States believe that they should continue to pursue a critical dialogue with *Iran* in order to encourage Iran to improve its behaviour in a number of fields, particularly human rights, the death sentence pronounced by a Fatwa of Ayatollah Khomeini against the author Salman Rushdie, which is contrary to international law, and terrorism.

At the Lisbon European Council meeting, in June 1992, the Community and its Member States reiterated their firm determination to contribute to the stability and prosperity of the *Mediterranean region* on the basis of an approach favouring partnership.

#### Asia

In accordance with the Joint Declaration between *Japan* and the Community and its Member States, the second summit meeting was held in London on 4 July 1992, which provided an opportunity to intensify and broaden the scope of EC-Japan relations within the framework of wide-ranging political dialogue and practical co-operation.

At the *ASEAN* Post-Ministerial Conference in Manila from 24 to 26 July 1992, Ministers of the EC Troika had useful discussions with ASEAN Foreign Ministers about developments in the region and the prospects for greater co-operation. They welcomed in particular ASEAN's readiness to address regional security issues and ASEAN plans to develop a free-trade area.

The Community and its Member States have worked for the successful implementation of the comprehensive political settlement of the *Cambodia* conflict and have provided considerable support both to the UN operation and to the rehabilitation of that country.

The Community and its Member States attach great importance to the full implementation of IAEA inspections in the *Democratic People's Republic of Korea* and of bilateral nuclear inspections agreed to under the Joint Declaration on the Denuclearization of the Korean Peninsula of 31 December 1991.

The Community and its Member States, which attach the greatest of importance to their relations with *China*, have continued to express their concern about the human rights situation, including that in Tibet.

The Community and its Member States have also expressed their concern about the human rights situation in *East Timor*. In addition, they have maintained their suspension of all non-humanitarian aid programmes to *Burma* and agreed a total ban on arms sales.

### *Africa*

The Community and its Member States have been following with deep concern developments in the situation in *Somalia*. They have urged all parties to comply with United Nations Security Council Resolutions, in the interests of humanitarian relief and national reconciliation, and all Somali factions to co-operate with UN armed security personnel in the protection of emergency-aid distribution. The EC and Member States individually are contributing to the relief effort.

The Community and its Member States have encouraged South Africa's peaceful transition to a democratic, united and non-racial society. A *Troika\** of Foreign Ministers and the Vice-President of the Commission visited South Africa

on 2 and 3 September 1992. Agreement was reached on the deployment of EC observers, to be co-ordinated with those of the UN and other organizations, in order to assist the new mechanisms under the peace accord to enforce the law, by drawing up independent, unbiased reports.

The Community and its Member States welcomed the Peace Conference on *Sudan* under the auspices of President Babangida and the decision of all parties to the conflict to participate in the peace talks. They stressed the unacceptability of interference in humanitarian relief efforts in areas of need in Sudan from whatever quarter.

The Community and its Member States warmly welcomed the signing in Rome on 4 October 1992 of the *Mozambican* Peace Agreement between the Government of Mozambique and RENAMO.

In *Angola* the Community and its Member States attach importance to the implementation of the Estoril Peace Agreements. They provided significant financial and material contributions as well as observers for the elections on 1 October 1992; they support the UN's valuable role in ceasefire monitoring, emergency assistance, demobilization and electoral assistance.

### *Latin America*

At the 8th Ministerial Conference, in Lisbon on 24 and 25 February 1992 (San José VIII), it was agreed that the Luxembourg Agreement of November 1985, the main instrument for *EC-Central America* co-operation, should be revised to take account of the new realities of Central America and to reflect the trend towards peace, democracy and economic and social development in the region.

The Multi-Annual Programme for the Promotion of Human Rights in Central America, agreed in Lisbon, was set in motion with the approval of a first list of projects and a timetable for action at the first expert group meeting in Managua, on 10 and 11 September 1992.

At the second institutionalized ministerial meeting between the EEC and the Rio Group, in Santiago de Chile on 28 and 29 May 1992, the link between democracy, respect for human rights and sustainable development was stressed.

*Preventive diplomacy and an agenda for peace*

The Community and its Member States welcomed the release in June 1992 of the UN Secretary-General's report "An Agenda for Peace". They believe that the potential of the Charter should be explored to foster a deeper and more effective use of its capabilities to defuse potential conflicts at an early stage. In this respect, they welcome the call for increased activity by the United Nations in preventing conflicts, seeking negotiated and lasting solutions and maintaining peace, as well as enhanced co-operation with regional organizations.

*CSCE*

The Helsinki follow-up Meeting provided an important opportunity for discussions on the future role of the CSCE as a regional arrangement and in particular the strengthening of its institutions to increase the effectiveness of the CSCE in the prevention, management and peaceful settlement of disputes. In this context, the Community and its Member States welcomed the decision to appoint a High Commissioner for National Minorities and to provide the CSCE with peacekeeping capabilities as part of its responsibilities in the process of dispute resolution.

### *Human rights*

In Lisbon in June 1992, the European Council recalled that respecting, promoting and safeguarding human rights is an essential part of international relations and one of the cornerstones of relations between the Community and its Member States and other countries. The Community and its Member States welcome the growing political consensus on the fundamental relationship between pluralistic democracy, respect for human rights and development, as outlined in the EC Council Resolution of 28 November 1991.

The Community and its Member States have played an active role in the preparatory process of the World Conference on Human Rights.

### *Non-proliferation and arms exports*

The Non-Proliferation Treaty is the cornerstone of the international non-proliferation arrangements and the Community and its Member States strongly supported its indefinite extension. In Lisbon, the European Council noted with satisfaction the conclusion of a common list of nuclear goods and nuclear-related dual-use goods to be controlled by Member States, when exported.

### *Administrative-co-operation*

The Missions of the EC and its Member States in third countries have continued their co-operation in the field of medical assistance, training, joint services, consular matters, including evacuation and repatriation emergency operations and security.

This co-operation has been extended to estate-related matters and a first achievement in this area is the European House in Abuja, the new capital of Nigeria.

**INTERGOVERNMENTAL CO-OPERATION**  
**IN THE FIELD OF JUSTICE AND HOME AFFAIRS**

Member States' Governments have long felt it worth developing co-operation outside the sphere of Community activities proper, in *customs* matters to combat trafficking in arms, drugs and stolen goods, in *police* matters (TREVI) to cope with terrorism in particular and, lastly, in the *judicial* field (civil and criminal justice) to improve the operation of justice in a context increasingly involving foreign aspects.

However, it was the 1985 Single European Act which made that need more apparent and led to the broadening of the scope of such co-operation by providing in Article 8a for the progressive establishment by 31 December 1992 of "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of this Treaty". That prospect was to prompt Governments to co-operate more systematically in the areas of immigration, asylum and action against terrorism, crime, drugs and trafficking in works of art and antiques. In 1985 the Ministers with responsibility for immigration set up the ad hoc Group on Immigration, which involves a number of subgroups, in particular on asylum, external borders, visas, etc. In 1988 the European Council, meeting in Rhodes, set up the Co-ordinators' Group on Free Movement of Persons to "step up such co-operation in order to achieve rapid and concrete results". Their first task was to be the drawing-up of an inventory (the Palma document) identifying the essential measures to be taken for the establishment of free movement of persons, specifying the bodies responsible and putting forward a time table for their adoption.



In recent years, increased pressure of migration by way of asylum has further strengthened belief in the need for permanent, wide-ranging, detailed co-operation in this field, becoming all the more essential with the approach of the 1 January 1993 deadline. Member States consider that abolition of controls at internal frontiers in accordance with Article 8a of the Treaty entails harmonization of controls at the Community's external frontiers and other measures to ensure that the achievement of free movement of persons does not endanger public security or undermine action to combat illegal immigration. Three main instruments are to contribute to this: the Convention on the crossing of external frontiers, negotiations for which are almost completed, the Convention determining the Member State responsible for examining applications for asylum (the Dublin Convention), which is by way of being ratified, and the Convention establishing a European Information System, now being drafted. During 1992, preparations for the implementation of the Dublin Convention and the draft Convention on the crossing of external frontiers pressed ahead, so that those Conventions could be applied upon ratification.

However, further progress is still required for the actual implementation of those various instruments and in the meantime the European Council was constrained at its meeting in Edinburgh to note that free movement of persons within the Community, in accordance with Article 8a of the Treaty of Rome, could not be fully ensured as of the scheduled 1 January 1993 deadline.

As regards action against drugs, CELAD has drawn up a report on the implementation and future course of the European Plan to Combat Drugs adopted by the European Council, meeting in Rome in December 1990. Meanwhile, the Dublin Group, an informal consultation machinery on action against drugs, has continued with its information and co-ordination task.

## **BUDGETARY MATTERS**

1992 saw the last year of application of the multiannual financial perspective (Delors I package) providing the frame of reference for drawing up the Community budget over the period 1988-1992. During the year, the three parties to the Interinstitutional Agreement on budgetary discipline - Council, European Parliament and Commission - found themselves having to make a number of amendments to the financial perspective in order to meet new Community financial commitments in connection with external events, particularly in Central and Eastern Europe. Those revisions of the financial perspective, bringing a swift, effective response (within the limits of the own resources ceiling) to unforeseen requirements or contingencies, bear witness to the flexibility and value of the instrument created in 1988 to ensure budgetary discipline.

The budget procedure for the 1993 financial year was directly affected by the unavailability until mid-December of the financial perspective applicable to that year. The new financial perspective adopted by the European Council in Edinburgh under the Delors II package enabled the Council and the European Parliament to reach agreement swiftly on the various parts of the 1993 budget, which amounts to ECU 69 billion in commitment appropriations, an increase of 8% over the 1992 budget.

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## KEY TO ASTERISKED TERMS

### Agricultural guideline

For each financial year, the agricultural guideline represents the ceiling on Community expenditure in support of agricultural markets (EAGGF Guarantee Section). The ceiling is adjusted each year to allow for inflation and the GNP growth rate, though for the growth rate the adjustment is limited to 74% thereof.

### Cabotage

The procedure whereby a carrier based in one Member State is allowed to carry goods or passengers by land, sea or air between two points within *another* Member State.

### Co-decision procedure

A legislative procedure instituted by the Treaty on European Union which represents a refinement of the co-operation procedure, differing from it in particular through: (1) the involvement, if the Council rejects amendments proposed by the European Parliament, of a Conciliation Committee composed of members of both institutions with the task of bridging the gap between their viewpoints and, if possible, arriving at a joint text; (2) Parliament's option, failing agreement in the Conciliation Committee, of rejecting outright, by an absolute majority of its members, the text unilaterally adopted by the Council.

### Community Charter of Fundamental Social Rights

Adopted in a solemn Declaration by the Heads of State or Government of the Member States (apart from the United Kingdom) at the European Council meeting in Strasbourg on 8 and 9 December 1989, the Charter enshrines a set of principles concerning the fundamental social rights of workers in the following fields: improvement of living and working conditions; freedom of movement for employed and self-employed workers; employment and earnings; social protection; freedom of association and collective bargaining; vocational training; equal treatment for men and women; information, consultation and participation for workers; health protection and safety at the place of work; protection of children, adolescents, the elderly and the disabled.

### Convergence programme

A package of economic and financial measures applicable in a Member State in order to contribute to lasting convergence of economies within the Community as required for the achievement of EMU, with particular reference to price stability and sound public finances; convergence programmes are decided on by Member States and submitted to the Council for scrutiny.

### Co-operation procedure

A legislative procedure introduced by the Single European Act, involving two readings by Parliament and by the Council. On first reading, after obtaining Parliament's Opinion, the Council adopts a draft known as a "common position", which is sent to Parliament for a further reading. On second reading, the Council requires unanimity in order to depart from parliament amendments supported by the Commission.

### European Energy Charter

A Community initiative to mesh Western technology and capital with resources (oil, natural gas, coal and uranium) in Eastern Europe, including the former USSR, in a Treaty embracing 50 countries (OECD, Europe and the former USSR).

### Financial perspective

The financial perspective establishes for a given period the breakdown of Community expenditure by broad headings and the annual ceilings for each of them. The 1988-1992 financial perspective decided on by the European Council in 1988 was subsequently agreed between Parliament, the Council and the Commission. The 1993-1999 financial perspective was set by the European Council, meeting in Edinburgh, which expressed its wish, as in 1988, to arrive at an agreement between the three institutions. The financial perspective decided on in Edinburgh covers the following six headings: agricultural expenditure, structural expenditure, internal expenditure, external expenditure, administrative expenditure and reserves.

### Open network provision (ONP)

Harmonization of conditions of access to public telecommunications networks in order to facilitate their use by companies or individuals providing services, wherever they are based in the Community.

### Own resources

The Community budget is financed in the main by resources termed "own resources" because they are regarded not as contributions by the Member States but as belonging to the Community; those resources comprise customs duties and agricultural levies charged at the Community's external frontiers, a fraction of VAT (as a percentage of a harmonized tax base) and a fraction of each Member State's GNP.

### *Set-aside*

Withdrawal of part of arable land from production (of cereals, oilseeds and protein crops); under the reform of the CAP, such withdrawal forms a requirement for the grant of aid to producers in order to offset lost earnings as a result of the reduction in some support prices.

### *Sustainable development*

Economic development fulfilling present needs without jeopardizing the ability of future generations to fulfil their needs. Such development must maintain the quality of life generally, maintain continuing access to natural resources and avoid any persistent environmental damage.

### *Switch-over*

An ecu-revaluation arrangement used for EAGGF Guarantee Section expenditure (the green ecu). The switch-over is designed to avoid any reduction in support prices for agricultural products following a currency realignment. Under such a system, prices denominated in a national currency which has been revalued against the ecu remain at the same level (instead of being reduced as they otherwise would) and price unity within the Community is preserved by means of corresponding "artificial" increase in prices in the other Member States through a monetary coefficient (corrective factor). The switch-over results in support prices paid to farmers moving in parallel with the strongest currency in the EMS. However, the effect of this is lessened by 25% through a reduction in prices set in ecus at the start of the following marketing year.

### *Technical conservation measures*

Measures designed to ensure the protection of marine biological resources and their balanced exploitation, such as minimum mesh sizes for nets, maximum by-catch percentages in fishing for other species, minimum landing sizes for fish, restrictions on the use of some kinds of fishing gear, a ban on fishing in particular areas, etc.

*Third-party access to networks in the energy sector*

The opportunity for energy producers or users to transport energy, at their convenience, through networks (oil pipelines, gas pipelines and high-voltage power transmission lines) which do not belong to them.

*Troika*

A delegation composed of a representative of the Presidency-in-Office, assisted by a representative of the Member State which last held the Presidency and a representative of the Member State next to hold the Presidency, with Commission participation. This arrangement is used primarily in political co-operation.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>ACP</b>	<b>African, Caribbean and Pacific States (69 signatories of the Lomé Convention)</b>
<b>ALTENER</b>	<b>Programme to promote renewable energy sources in the Community</b>
<b>ASEAN</b>	<b>Association of South-East Asian Nations (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand)</b>
<b>CAP</b>	<b>Common agricultural policy</b>
<b>COMETT</b>	<b>Programme on co-operation between universities and enterprises regarding training in the field of technology</b>
<b>DCs</b>	<b>Developing countries</b>
<b>D2-MAC/ HD-MAC</b>	<b>Standards for satellite broadcasting of television signals (MAC = multiplexed analogue component)</b>
<b>EAGGF</b>	<b>European Agricultural Guidance and Guarantee Fund</b>
<b>EEA</b>	<b>European Economic Area</b>
<b>EFTA</b>	<b>European Free Trade Association (Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland)</b>
<b>EIB</b>	<b>European Investment Bank</b>
<b>EMS</b>	<b>European Monetary System</b>
<b>EMU</b>	<b>Economic and monetary union</b>
<b>ERASMUS</b>	<b>European Community action scheme for the Mobility of University Students</b>
<b>ERDF</b>	<b>European Regional Development Fund</b>
<b>ESF</b>	<b>European Social Fund</b>

<b>EURES</b>	<b>European Employment Service (formerly SEDOC: European System for the International Clearing of Vacancies and Applications for Employment)</b>
<b>GATT</b>	<b>General Agreement on Tariffs and Trade</b>
<b>GNP</b>	<b>Gross national product</b>
<b>HDTV</b>	<b>High-definition television</b>
<b>LIFE</b>	<b>Financial instrument for the environment</b>
<b>LINGUA</b>	<b>Action programme to promote foreign language competence in the European Community</b>
<b>MAGHREB</b> (countries)	<b>Algeria, Morocco and Tunisia</b>
<b>MASHREQ</b> (countries)	<b>Egypt, Jordan, Lebanon and Syria</b>
<b>M</b>	<b>E</b>
<b>R</b>	<b>C</b>
<b>O</b>	<b>S</b>
<b>U</b>	<b>R</b>
	<b>Southern Cone Common Market (Argentina, Brazil, Paraguay and Uruguay)</b>
<b>MGQ</b>	<b>Maximum guaranteed quantity</b>
<b>OECD</b>	<b>Organization for Economic Co-operation and Development</b>
<b>PHARE</b>	<b>Poland-Hungary: economic restructuring assistance programme (other states in Central and Eastern Europe have since been added to the original beneficiaries)</b>
<b>SAVE</b>	<b>Programme to promote energy efficiency in the Community</b>
<b>SMUs</b>	<b>Small and medium-sized undertakings</b>
<b>TAC</b>	<b>Total allowable catch</b>
<b>TACIS</b>	<b>Programme of European Community technical assistance to the Commonwealth of Independent States and Georgia</b>
<b>TEMPUS</b>	<b>Trans-European mobility scheme for university studies</b>
<b>VAT</b>	<b>Value-added tax</b>



