



Brussels European Council meeting of the Ten EC Heads of State or Government, and their Foreign Ministers

European Council — March 21-22, Brussels

The following are extracts from the communique issued at the conclusion of the European Council meeting in Brussels;

The Economic and Social Situation

The European Council agrees that all member states and the Community must now take effective action to improve the employment situation of young people. It notes the intention of the Commission to submit concrete proposals and invites the Council to submit a report to the European Council in June on progress made both nationally and at Community level.

Concerning the internal market, the European Council notes the progress made. It stresses the need for decisions before June in all the priority areas as defined in Copenhagen. The European Council notes with satisfaction that the Council's work programme includes also the areas of insurance and other services.

It asks the Council to take a position with the same degree of priority

on the Commission proposals on the strengthening of the instruments of the common external trade policy.

On specific areas where more effective common action is urgently needed:

- The European Council further invites the Council to speed up the examination of a number of proposals for directives concerning the right of establishment and freedom to provide services in order to bring this work to a successful conclusion as soon as possible.

- The European Council requests the Council to expedite the development of a Community transport policy; special attention should be paid to the improvement of frontier formalities in the formulation of decisions on the internal market.

The economic summit in Williamsburg next May

The European Council asks the Council to prepare Community positions for the Williamsburg economic summit which will permit the Community to make a substantial contribution to efforts to ensure that the

recovery of the international economy, which is now appearing and which is particularly important for developing countries, will be supported through the concerted policies of the summit participants.

It considers in particular that a genuine dialogue between Europe and the United States on trade in agricultural products can be maintained only on the basis of mutual respect of the agreements concluded following the Tokyo Round.

The European Council considers that the falling oil prices constitute a positive contribution to world economic recovery, provided that this development and its consequences are kept under control.

Enlargement.

The European Council is determined that negotiations with Spain and Portugal should now make substantial progress, and asks the Council to make every effort to this end.

The European Council intends to take stock of the situation regarding the enlargement negotiations at its next meeting and to give political orientation for the completion of the negotiations.

The European Council took note of the discussions that have taken place on the adaptation of rules applicable to certain Mediterranean agricultural products.

The European Council therefore asks the Council of Agriculture Ministers to adopt the necessary decisions as soon as possible, taking account of the following factors:

- In the olive oil sector, a long transitional period must be foreseen.
- In the fruits and vegetables sector, compromises should be sought on the basis of the Commission proposals completed by provisions ensuring that traditional trade flows with the third countries are maintained and guaranteeing that the free circulation of goods is respected.

The Community's financial resources and related problems

The European Council notes the report on work done on the Commis-

sion's Communication on the Future Financing of the Community. The European Council further notes the Commission's intention to submit specific proposals as soon as possible. It expects these proposals to take account of the development of the Community's policies, the problems connected with enlargement, budgetary imbalances and the need to strengthen budgetary discipline. It invites the Council (General Affairs) to discuss those proposals and to report its conclusions to the June European Council.

The European Council agrees that this report will contain conclusions also concerning the so-called subsequent solution in accordance with the undertaking made by the foreign affairs ministers on May 25 and October 26, 1982 regarding compensation to the United Kingdom. Consequential figures for 1983 will be incorporated in the draft Community budget for 1984.

The Middle East

The Ten are deeply disturbed by the continued lack of progress towards peace between Israel and her Arab neighbours. They are convinced that all parties must seize the present opportunity to achieve the two most urgent objectives; the withdrawal of all foreign forces from Lebanon and a resumption of negotiations aimed at a comprehensive peace settlement.

The Ten reaffirm their support for the sovereign and independent state of Lebanon and for its Government which should urgently be enabled to re-establish without restrictions its authority over the whole of its territory. This requires the prompt withdrawal of Israeli, Syrian and PLO forces.

The Ten support the efforts of the United States to achieve this objective. They call on all concerned to conclude negotiations without further delay. They continue to support the peacekeeping role of UN a multi-national forces in Lebanon.

President Reagan's initiative on September 1, 1982 indicated a way to peace, and the Arab summit meeting at Fez demonstrated a

readiness for it. The task now is to move beyond statements of principle and find a means to reconcile and implement the various peace proposals. The conclusions of the recent meetings of the Palestine National Council can and should contribute to the peace process.

The Ten, therefore, welcome the discussions between Jordan and the PLO. The Palestinian people and the PLO should seize the present opportunity by declaring themselves in favour of peace negotiations. This would be a major step forward, to which the Ten would expect all concerned to respond constructively.

The Ten look to the Arab states to play their part by supporting those who seek a solution to the demands of the Palestinian people by political means.

The efforts of the U.S. will continue to be indispensable to create the conditions in which negotiations can begin.

Above all, the time has come for Israel to show that it stands ready for genuine negotiations on the basis of Security Council Resolutions 242 and 338, in the first place by refraining from enlarging existing settlements or creating new ones. These settlements are contrary to international law and a major and growing obstacle to peace efforts.

The Ten expressed once again their growing concern at the continued conflict between Iraq and Iran, which constitutes an ever more serious threat to the security and stability of the entire region.

They call for a ceasefire, the cessation of all military operations and the withdrawal of forces to internationally recognised frontiers; and for a just and honourable settlement negotiated in accordance with the resolutions of the UN Security Council and acceptable to both parties.

UNCTAD VI

The sixth session United Nations Conference on Trade and Development, with some 165 countries taking part, which opens in Belgrade on June 6, will be among the most important international conferences scheduled for this year.

But the importance of UNCTAD VI is not a matter of numbers alone, it will be the key element in 1983 in the wide-ranging dialogue between industrialised and developing countries, between North and South. This is recognised by all industrialised countries. Even so, none attaches as much importance, both political and economic, to Unctad VI as the European Community.

This is not very surprising. The EC has close, and in many cases preferential, links with the majority of developing countries that make up the Group of 77. It is also the largest market for their exports and the largest donor of financial aid, one-third of the total, although it accounts for only 25% of the total GDP of all donor countries.

For the Community, UNCTAD clearly is an important element in its external policy. The success or failure of the Belgrade Conference will make itself felt, therefore, on the Community's development policy as it is expressed through the Lomé Convention, its Mediterranean policy, its cooperation agreements with such major Third World countries as Brazil, India and the 5-nation Association of Southeast Asian Nations (ASEAN).

Speaking on behalf of the European Community, Ambassador H.G. Sulimma, the Federal Republic of Germany's North-South negotiator, recently at a recent special session of the Trade and Development Board (Geneva) gave an outline of the European Community's position for the forthcoming UNCTAD VI session. The Ambassador's expose of the EC position can be summarised as follows:

The EC views UNCTAD VI as the major event of the North/South dia-

logue in 1983 and hopes that the Conference will contribute to

- a better understanding of the problems facing both developing and developed countries,
- a strengthening of mutual trust,
- developing an authentic dialogue between all countries on ways and means of moving out of the world recession and reactivating the development process.

The Community appreciates the spirit of understanding and the appeal to mutual cooperation reflected in the Buenos Aires message of the Group of 77. The global nature of the current crises has resulted from the interdependence of economies. Therefore the strengthening of international economic cooperation is in everyone's interest. Indeed the EC is well aware of the fact that the economic activity and import capacity of developing countries have helped to soften the recession in industrialised countries. In the same way, recovery in developed countries will benefit the economies of the developing countries.

Although the developing countries themselves are primarily responsible for their own development, the developed countries should, Ambassador Sulimma said, be ready to extend their assistance as they have done in the past. World development is a joint responsibility; therefore, decisions to be taken in Belgrade should be mutually reinforcing. Efforts are asked from both sides. In this connection, the EC is concerned that the Buenos Aires declaration only asks for commitment from the developed countries.

Ambassador Sulimma gave the Community's views on the three major items of importance for UNCTAD VI:

Commodities

The Community continues to support the Integrated Programme for Commodities. Although it has only been partially implemented up to now, it has lost none of its significance as an international effort to stabilise commodity prices. As a result of the sharp drop in prices

since 1980, many developing countries have greatly suffered.

The Community believes that the Belgrade Conference should constitute an incentive to make the Common Fund, which is an important part of the Integrated Programme, operational. The EC will make every effort to ratify the agreement on the Fund within the stated period, i.e. by 30 September 1983. It is also prepared to examine the role of commodities agreements negotiated or renegotiated in the framework of UNCTAD and to encourage the rapid entry into force of agreements newly negotiated with the support of the Community. This is preferable to the idea of provisional agreements or temporary arrangements put forward in the Buenos Aires text, as there is reason to fear that interim agreements might delay rather than expedite the implementation of agreements.

A larger participation of developing countries in local processing, marketing and distribution should be supported. The Community has, however, serious doubts about the advisability of holding a negotiation conference on processing and marketing. There is a need to increase market transparency and to provide greater facilities for technical assistance.

Trade

The EC shares the view of the Group 77 that sustained growth in the developing countries is inseparable from an open trade system. The European Community, therefore, reaffirms the importance it attaches to maintaining an open multilateral and global trade system. The GATT is the best suited instrument to achieve this aim so it should be retained and strengthened in its present form.

As for its autonomous GSP, the EC wants to develop it in a way which takes into account the changing circumstances of beneficiary countries, and, in particular the needs of the poorest developing countries.

The Community is the most important market for developing coun-

tries. In Belgrade it will be open to serious discussions on structural adjustment. It should however be recognised that a great deal of adjustment is taking place in the Community's countries, adjustments which often have painful social consequences.

Financial and Monetary Problems

High real interest rates, decline in export revenues and stagnation of official aid are some of the factors which accompany the alarming level of indebtedness of many developing countries and a shrinkage of their financial possibilities. But the whole responsibility for these developments cannot be blamed on external factors. Improved domestic policies in developing countries are also necessary. Although the EC recognises that the room for manoeuvre for some of them is limited. Concerning the role of international financial institutions the Community sees no need to restructure the present system. Institutions such as the IMF and the World Bank, by responding to changing circumstances, offer the best prospect of addressing the problems.

The responsiveness of these institutions has been proved by the various measures taken in the IMF and the World Bank, such as the extension of access to IMF facilities, the structural adjustment loans of the World Bank, and the latest decision of the IMF Interim Committee. Their particular competence has to be respected.

UNCTAD VI will be an opportunity for the international community to reaffirm its political will to strengthen the international development financial institutions.

The EC has constantly emphasised the importance of official development aid as an essential source of development financing. The quantitative targets for aid remain fully valid. The effectiveness of official aid should, however, be improved.

Towards EC Financial Market Integration?

Unlike goods, services and persons, capital movement, for certain transactions, may still be subject to restrictions by Member States. The considerable development of international financial relations over the past twenty years—the spectacular growth of the Euromarkets being the most striking example—has not been matched by progress in achieving financial integration within the Community.

The EC Commission has recently adopted a report in which it sets out its proposals to relaunch the process which ultimately would lead to the creation of a European financial market.

The ultimate aim, as suggested in the report, would be to provide “the financial basis for efficient mobilisation of Community savings and their allocation to productive investments”, and to provide a “single, homogenous market open to the outside world on an orderly basis” endowed with efficient instruments to mobilise and allocate resources.

The Commission's communication advocates that to achieve these aims, “barriers set up by exchange regulations and taxation techniques must be removed, and, beyond the field of Community financial instruments, the coordination of policies for regulating financial markets must be encouraged. This effort must be backed up by a common, or at least coordinated, approach to organising international monetary and financial relations and by greater solidarity with the Member States with balance of payments problems. It goes without saying that the scope and rate of integration, both financial and monetary, depend on the degree of convergence of economic policies; this convergence is essential to stabilise the expectations of investors and savers.”

In view of the extent and scope of the changes required, the Commis-

sion's report acknowledges that movement towards financial integration can only be undertaken through intermediate stages. Such stages, the report suggests, could involve:

- a) Creation of a single capital market. This would be achieved by gradually eliminating present restrictions (with priority on setting up a European risk capital market) and the promotion of communication links and collaboration between the major European stock markets.
- b) Creation of new instruments to mobilise savings. This could involve, for example, creating collective investment undertakings which have access to a Community market and portfolio dimension.
- c) Harmonisation and unification of financial services-in banking, insurance and stock markets.
- d) Tighter international banking surveillance and co-ordination of external debt policies.
- e) Promotion of the use of the ECU. This could involve granting currency status to the ECU and giving ECU-denominated transactions privileged treatment.



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