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The Governments of the Member States and the Commission of the European Communities were represented as follows:

Belgium:

Mr Melchior WATHELET Deputy Prime Minister,  
Minister for Economic Affairs

Denmark:

Mrs Anne-Birgitte LUNDHOLT Minister for Industry  
Mr Christopher Bo BRAMSEN State Secretary for Industry

Germany:

Mr Jürgen W. MÖLLEMANN Federal Minister for Economic  
Affairs  
Mr Berndt SEITE Prime Minister of Mecklenburg-  
Western Pomerania  
Mr Johann EEKHOFF State Secretary, Federal Ministry  
of Economic Affairs

Greece:

Mr Vissilios MANTZORIS State Secretary attached to the  
Prime Minister

Spain:

Mr Alvaro ESPINA MONTERO State Secretary for Industry

France:

Mr Dominique STRAUSS-KAHN Minister for Industry and Foreign  
Trade

Ireland:

Mr Bertie AHERN Minister for Finance

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Italy:

Mr Guido BODRATO

Minister for Industry

Luxembourg:

Mr Robert GOEBBELS

Minister for Economic Affairs

Netherlands:

Mr J.E. ANDRIESSEN

Minister for Economic Affairs

Portugal:

Mr Luis MIRA AMARAL

Minister for Industry and Energy

Mr Luis ALVES MONTEIRO

State Secretary for Industry

United Kingdom:

Mr Tim SAINSBURY

Minister of State (Minister for Trade)

o

o

o

Commission:

Mr Martin BANGEMANN

Vice-President

Sir Leon BRITTAN

Vice-President

Mr Antonio CARDOSO E CUNHA

Member

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INDUSTRIAL CO-OPERATION WITH THIRD COUNTRIES

The Council adopted a Resolution on industrial co-operation with third countries, the text of which is set out below:

"THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Commission communication on industrial policy in an open and competitive environment, approved by the Council on 26 November 1990,

Having regard to the communication from the Commission to the Council and the European Parliament entitled "Developing industrial co-operation with Central and Eastern Europe and the independent States of the former Soviet Union",

Having regard to the proceedings of the Lisbon Interministerial Conference on 20 March 1992 on industrial co-operation with the Community's partners, in particular those in Eastern Europe, Africa and Latin America,

1. Whereas the various forms of co-operation between Community and third country economic operators are an efficient means of strengthening the competitiveness of undertakings, particularly through developing complementarities and comparative reciprocal advantages and by expanding markets;
2. Whereas industrial co-operation is particularly desirable in the current international situation and should be placed in the new context outlined by the Maastricht Summit with the European Community becoming increasingly important on the international scene as a factor for stability and development;
3. Whereas the development of industrial co-operation must be based on application of the concept of subsidiarity and consequently
  - it is the responsibility of public authorities to promote and develop an environment favourable to industrial co-operation;
  - it is the responsibility of undertakings to exploit opportunities and establish co-operation links in a system of open, competitive markets;
4. Whereas the completion of the internal market at the end of 1992 with its greater interlinking of the economies of the Member States will also create new opportunities for co-operation with third countries, showing that the "Community as an industrial partner" is open to the rest of the world;
5. Whereas the experience gained by the Community in the construction of the internal market, for example in the field of legislative harmonization and the implementation of a framework conducive to co-operation between undertakings

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in an open and competitive environment also represents a key advantage in the development of that co-operation;

6. Whereas the Community has an essential role to play in co-operation with countries undergoing economic transition and developing countries, particularly by encouraging the implementation of an environment conducive to enterprise and by supporting various forms of co-operation between economic operators,

HAS ADOPTED THIS RESOLUTION:

THE COUNCIL

1. Welcomes the Commission communication of 13 March 1992 on developing industrial co-operation with Central and Eastern Europe and the independent States of the former Soviet Union, which responds to the request made by the Council when it discussed the previous communication on the same subject;
2. Subscribes to the general approach and orientations resulting from that document.

IT INVITES THE COMMISSION

1. to pursue industrial co-operation with the countries of Central and Eastern Europe and the independent States of the former Soviet Union, in keeping with the guidelines set out in the Commission communications of 12 July 1990 and 13 March 1992, which recommend horizontal measures and their application in a context; the following are thus included:
  - (a) strengthened support for the development of an appropriate legal and regulatory framework for undertakings' activities in fields such as company law, accounting, competition law and fiscal law, these being essential elements in promoting a climate of confidence amongst economic operators;
  - (b) an approximation of standards and procedures for evaluating conformity with those prevailing in the Community;
  - (c) initiatives to improve transparency, particularly as regards conditions for receiving investors, economic information and market development prospects;
  - (d) strengthening of measures to support the restructuring and modernization of industry and the creation of undertakings, particularly through technical assistance, taking into account the situation of European markets also;
  - (e) development of training measures, including assistance in managing undertakings;
  - (f) support for the development of professional bodies, contact structures and the organization of professional gatherings;

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- (g) increased support for industrial co-operation amongst economic operators; particular attention should be paid to SMUs by means of the financial mechanism set up to encourage joint ventures (JOPP programme), information and contact networks (BC-Net, Business Co-operation Centre and European Information Centres) and other initiatives in favour of business co-operation (such as trade fairs or meetings);
  - (h) allowance for the environmental dimension in co-operation measures, and technical assistance in this field and in the field of energy, including safety in the civil nuclear sector;
  - (i) an approach to technical assistance for the independent States of the former Soviet Union allowing increased initiatives in the field of restructuring and industrial co-operation;
2. to develop, in a bilateral or regional context, co-operation between the "Community as an industrial partner" and other third countries whose industrial development the Community should help, particularly those countries with which the Community has traditionally had closer relations for historical and cultural reasons; with this in mind and taking full account of the specific characteristics of the countries concerned, to pursue its support operations, which, in the industrial field, will contribute in particular to:
- (a) promoting the development of an enterprise culture and stimulating private initiative;
  - (b) improving the framework conditions for receiving investments and their transparency for investors;
  - (c) promoting the dissemination of specialized information to small and medium-sized undertakings so that they too can make better use of existing possibilities for co-operation;
  - (d) facilitating the creation of joint ventures;
  - (e) fostering the opening of markets in the context of the balanced development of international markets and respect for the rules of international trade;
  - (f) integrating the environmental dimension and contributing to resolving specific problems in that field;
  - (g) strengthening integrated technical assistance and training operations, particularly in the fields of management and technology, as well as action in support of initiatives on the part of the networks of intermediaries created by economic operators in order to promote co-operation on a basis of mutual interest;
3. with this in mind, to make full use of the various instruments introduced by the Community and, in agreements concluded with third countries in the process of transition or development, to place particular emphasis on implementation of the industrial co-operation aspects, which represent a contribution to their development and their integration into the world economy.

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TEXTILE AND CLOTHING INDUSTRIES

The Council adopted a Resolution on the textile and clothing industries, the text of which is set out below:

"THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Commission communication on industrial policy in an open and competitive environment,

Having regard to the Commission communication on improving the competitiveness of the Community's textile and clothing industry,

Whereas the textile and clothing industry is of considerable economic and social importance in the Community and bearing in mind that the structure of this industry consists to a large extent of small and medium-sized undertakings and is highly concentrated in certain regions;

Whereas the Community textile and clothing industry must adapt to increased competition stemming from the gradual return of the textile sector to the general rules of GATT, from the completion of the Single Market and from the extension of preferential links with the countries of Eastern Europe; whereas the responsibility for improving industrial competitiveness essentially lies with the private-sector economic operators themselves; whereas it is for the public authorities to provide them with a clear and predictable framework and to create an environment which is favourable for their activities;

Whereas the success of the structural adjustment of the industry will initially depend on improving product quality and design and the quality and extent of services offered, as well as on improved integration of the various links in the textile and clothing chain;

Whereas the process of structural adjustment is already more advanced in certain Member States, which makes it necessary for the others to carry out the requisite adjustments as soon as possible within the framework of the objective of economic and social cohesion;

Whereas the Community already provides a variety of instruments in a number of areas such as regional development, industrial conversion, research and development and co-operation between SMUs within the framework of the structural funds and various programmes; whereas, however, full use cannot be made of such instruments in certain cases,

HAS ADOPTED THIS RESOLUTION:

I.

THE COUNCIL

1. recognizes the particular situation of the textile and clothing sector, which is having to face up simultaneously to:
  - high rates of increase in the level of imports from a growing number of third countries with low production costs, together with fairly low long-term growth in final consumption;
  - the continuation of the gradual opening-up of its markets vis-à-vis third countries, in particular the countries of Eastern Europe, in a sector long governed by a specific trade agreement (the MFA);
  - heavy regional concentration, making structural adjustment more difficult;
  - the completion of the Single Market, which will affect the present system for the regional allocation of import quotas;
2. emphasizes the need to conclude the Uruguay Round negotiations as soon as possible, especially in order to establish a reliable long-term framework for world trade in textiles and for the future structural adjustment of the textile industry;
3. is convinced that, if the Community is to retain a textile sector which is internationally competitive, the outcome of the Uruguay Round as regards textiles and clothing should involve a gradual opening-up of all markets as well as the necessary transparency of trading conditions in the world, including progress in liberalizing imports into the Community under an approach which enables the Community industry to continue its process of structural adjustment;
4. emphasizes that a conclusion of the Uruguay Round negotiations should bring about a strengthening of GATT rules and constraints, thereby ensuring market access, and should enable effective use to be made of instruments in areas such as anti-dumping, subsidies and fraud and also as regards the protection of intellectual-property rights and the implementation of general or specific safeguard clauses;
5. considers that, in the light of the final outcome of the Uruguay Round and without prejudice to existing obligations under the GATT, it will be necessary to examine whether further initiatives by the Community may be required in order to create effective access to the markets of third countries;
6. emphasizes that the gradual opening-up of the markets will have to go hand in hand with structural adjustment of the sector within the Community, where undertakings will have a vital role to play in developing the requisite strategies. Recognizes the full importance of the promotion by the Community and the Member States of a favourable environment which will encourage adjustment initiatives by undertakings in compliance with the principle of



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subsidiarity and recognizes that the implementation of a consistent and effective trade policy for the textile sector in the Single Market warrants a Community response to the specific problems of certain regions.

7. emphasizes that, in order to provide undertakings with such a favourable environment, the Community and the Member States should continue with:
  - their efforts to ensure effective conditions of competition in the textile and clothing markets;
  - the collection, on a systematic and reliable basis, of the economic, technical and social information required for structural adjustment, for modernizing the industry and for access to markets, noting the activities of the European Textile and Clothing Observatory;
  - action to step up R & D programmes, specify their objectives and disseminate their findings, taking into account the requirements of the industry and its organizations and the constraints connected with broader involvement of SMUs;
  - the encouragement at every level of continuing vocational training suited to the present and future skill requirements of the industry, so that technological change, conversion and new working, organizational and marketing methods can be mastered;
  - examination of the scope for encouraging undertakings to diversify in order to create job opportunities and facilitate the absorption of the surplus work force resulting from unviable production;
  - helping the areas which are dependent on the textile and clothing industry to adapt in their efforts to achieve the conditions both for the adjustment of undertakings and for the development of alternative activities, by improving the infrastructures and services accessible to undertakings, business know-how, co-operation and access to capital markets.

## II.

### THE COUNCIL CALLS UPON THE COMMISSION TO

1. continue to submit to it regular reports on developments in the competitiveness of the textile and clothing industry within the Community;
2. pursue efforts to conclude the Uruguay Round negotiations within the framework laid down;
3. optimize, in conjunction with the Member States and trade organizations, the gathering and processing of the requisite information on international trade to prevent infringements of GATT rules and constraints in Community markets;
4. follow up the developments envisaged to implement the guidelines laid down in this Resolution, in conjunction with Member States' Directors-General for

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Industry and, for trade-related matters, with the Committee provided for in Article 113 of the EEC Treaty.

III.

THE COUNCIL CALLS UPON THE MEMBER STATES AND THE COMMISSION

to adopt, and whenever they deem it necessary, propose, the measures which are essential for the implementation of the guidelines defined in this Resolution. Such measures must be taken in good time and in the light of developments in the negotiations on the opening-up of the Community textile and clothing market."

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EUROPEAN MOTOR VEHICLE INDUSTRY

After hearing a statement by Vice-President Bangemann on the situation in the European motor vehicle industry, the Council discussed the idea. At the end of the discussion, it adopted the following Resolution:

"THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Commission communication on industrial policy in an open and competitive environment,

Having regard to the Commission communication on the single Community motor vehicle market,

Having regard to the Commission communication on the European motor vehicle industry,

Whereas the motor vehicle industry is of considerable economic and social importance in the Community;

Whereas the Community motor vehicle market is and will continue to be the world's leading and most demanding motor vehicle market and whereas it may form the basis for the healthy development of the Community motor vehicle and motor vehicle component industry;

Whereas the Community motor vehicle industry needs to adapt quickly to increased competition on the export and on the domestic market resulting partly, in the case of the latter, from its gradual opening-up to Japanese competition;

Whereas responsibility for improving industrial competitiveness lies mainly with private-sector economic operators themselves and the public authorities should provide them with a clear and foreseeable framework for their activities and ensure an environment favourable to competitiveness;

Whereas the Community Structural Funds and various Community programmes already provide a variety of instruments in a range of areas such as regional development, industrial redevelopment, research and development and co-operation among SMUs,

HAS ADOPTED THIS RESOLUTION:

I.

THE COUNCIL:

1. recognizes that, despite the advanced technology, quality and good performance of Community-manufactured motor vehicles and the gearing of their model range to consumer demand, there are considerable weaknesses in the organizational and productivity sphere to be overcome by economic operators;
2. emphasizes that, if the necessary changes are to be put into practice, all parties concerned will need to make considerable efforts, with the main role to be played by undertakings in developing the necessary strategies, it being for the public authorities to create an efficient working environment favourable to moves by undertakings to adapt, with due regard for the principle of subsidiarity;
3. emphasizes that the completion of the internal market will make a major contribution to the process of modernizing the industry's structures, in particular through the harmonization process already under way boosting intra Community co-operation;
4. recognizes that, as part of a conversion process, a fundamental change in the system of production is under way which may entail adjustments in employment, the structure and the skills of the workforce which could, if eligibility conditions are fulfilled, benefit from the appropriate Community instruments;
5. recognizes that the industry needs to make additional efforts in the area of research and development aimed at improving international competitiveness;
6. emphasizes the importance of measures to combat pollution in the emissions and recycling fields, the aim being stable and foreseeable technical rules and their harmonized application, with due regard for competition;
7. recognizes the growing importance of the equipment and component manufacturing industry, in many cases involving SMUs, in view of the economic significance of this subsector and its contribution to the overall competitiveness of the motor vehicle industry, and emphasizes the need to strengthen links between SMUs and major undertakings;
8. recognizes that, in order to provide a favourable environment for all the undertakings concerned, the Community and the Member States must, with due respect for the principles of competition and subsidiarity, press ahead with:
  - efforts to ensure that international trade functions smoothly in the light of worldwide competition and in particular in the framework of the current multilateral GATT discussions;
  - the systematic use of the relevant economic, technical and social data for monitoring structural adjustment, modernization of the industry and access to third-country markets;

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- optimization of research efforts and intensification of synergy under Community research programmes and Eureka projects, specifying their objectives, ensuring that results are disseminated, taking into account the needs of the industry, and contributing towards the joint involvement of car manufacturers and component producers and broader-based SMU participation;
- promoting in-service vocational training and education in line with the present and future needs of the industry, with a view to mastering technological change, conversion and new working, organizational and marketing methods;
- the adaptation of employment catchment areas which may be affected, whether by encouraging the development of alternative forms of activity and staff redeployment or by improving infrastructures and the services available to undertakings.

II.

THE COUNCIL INVITES THE COMMISSION TO:

1. reinforce, together with the Member States and trade organizations, the use of information on exports, third-country market access and international trade as required in order to prevent unfair trading practices, in accordance with the GATT rules;
2. examine thoroughly the aspects of selective distribution, with due regard for the Treaty provisions, the balance between the interests of manufacturers, distributors and consumers, as well as the various Community policies;
3. follow, in conjunction with the appropriate Working Parties, in particular the senior officials for industry in the Member States, and, for trade-related matters, with the Committee set up under Article 113 of the Treaty, progress achieved in implementing the aims established in this Resolution, including developments in the area of competitiveness, and to report regularly and at least once a year on the progress achieved;
4. continue to apply strictly the aid controls in this sector and to examine the possibility of extending them to the component manufacturers sector.

III.

THE COUNCIL INVITES THE MEMBER STATES AND THE COMMISSION TO:

adopt and, if necessary, propose the measures required in the context of the guidelines laid down in this Resolution. Such measures should be aimed at the adjustment of the European motor vehicle industry and should be taken in time to properly accompany the gradual opening-up of markets."

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EUROPEAN AIRCRAFT INDUSTRY

The Council adopted the following conclusions on the European aircraft industry:

"The Council has noted the analysis set forth by the Commission in its communication on the European aircraft industry.

The Council wishes to affirm the importance of a strong, dynamic and competitive aircraft industry for the economy as a whole and for the strategic aspect of European technology.

The Council agrees that present economic and political developments will mean tougher conditions of competition, thus making it necessary for undertakings to introduce increasingly competitive structures. The Council takes note of the Commission's observations concerning economies of scale and technological needs in particular and of the fact that the reference currency in the aeronautical industry is the dollar.

It therefore welcomes efforts to create a favourable environment likely to ensure the harmonious development of the aircraft industry and the dialogue with national authorities and business circles initiated to that end since publication of the first communication.

The Council calls on the Commission to:

- intensify and, with due regard for the principle of subsidiarity, to reinforce the dialogue with a view to defining with all parties concerned the procedure for implementing Community action, to be established in accordance with the rules of competition, with the other internal rules of the Community and with international agreements;
- extend contacts to all those involved in the air transport sector, including aircraft industry subcontractors, who are frequently more directly sensitive to current movements than the major undertakings or contracting authorities;
- define Community R&T activity in the aircraft and air transport sector which could be taken up in R&T framework programmes. Such activity could cover technologies of interest to the aircraft industry by ensuring optimum development of co-ordinated action between European and national research;
- continue the dialogue with third countries and initiate discussions, in conjunction with industry, on the situation of and prospects for the aircraft industry in the Central and East European countries and the independent States of the former USSR.

The Council requests the Commission to keep it informed of the progress of this dossier."

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SMEs

The Council heard a statement by Commissioner CARDOSO E CUNHA; there then followed a discussion in which Commission communications on a European market in subcontracting and on the role of mutual guarantee systems in the financing of SMEs in the Community were presented, together with a report on the definitions of SMEs used in the context of Community activities.

At the close of the discussion, the Council adopted a Resolution on Community action to support enterprises, in particular SMEs, including craft industry enterprises, the text of which is set out below:

"The Council of the European Communities,

Having regard to the Council Resolution of 27 May 1991 on the action programme for small and medium-sized enterprises, including craft industry enterprises,

Having regard to Council Decision 89/490/EEC of 28 July 1989 on the improvement of the business environment and the promotion of the development of enterprises, and in particular small and medium-sized enterprises, in the Community,

Having regard to Council Decision 91/319/EEC of 18 June 1991 revising the programme for the improvement of the business environment and the promotion of the development of enterprises, and in particular small and medium-sized enterprises, in the Community,

Having regard to the Commission communication entitled: "Industrial policy in an open and competitive environment: guidelines for a Community approach",

Taking note of the most recent Commission communications, discussion of which will continue in the Council, and in particular:

- the second report on the implementation of Decision 89/490/EEC,
- the Commission report to the Council on the definitions of SMEs used in the context of Community activities,
- Commission communication on the role of mutual guarantee systems in the financing of SMEs in the European Community,
- Commission communication on a European market in subcontracting,

acknowledging the importance of an environment favourable to initiative and to the development of all Community enterprises, and in particular small and medium-sized enterprises,

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recognizing the importance of the existing measures designed to ensure the conditions necessary for the competitiveness of Community enterprises, including small enterprises and craft industry enterprises,

1. emphasizes the importance of regular consultation of the enterprise sector, in particular that of small and medium-sized enterprises, more particularly with a view to consolidating the Community legislative process following full completion of the Internal Market,

notes the role which may be played in this context by a mechanism for evaluating the impact of Community texts likely to affect enterprises,

2. confirms the undertaking it entered into in Decision 91/319/EEC to support the consolidation of the action taken to help enterprises, and welcomes the launch of the procedure for evaluating Community action,

emphasizes the importance of preparing enterprises to participate in completing the Internal Market and of the action undertaken to this end by the Commission,

recommends the Commission to continue, in compliance with the principle of subsidiarity, developing the action necessary to create an environment favourable to the competitiveness of enterprises, in particular SMEs, and to back up their integration into the single market after 1992,

3. requests the Commission to continue studying action which will encourage initiative and development on the part of enterprises, in particular SMEs, and to submit to it before the end of 1992, in the light of the evaluation made, any proposals it deems necessary to guarantee continuity of the policy towards enterprises, including the general financing aspects and the strategies for the Europeanization and internationalization of enterprises,
4. wishes the problem of the definition of SMEs to be discussed in the Council."



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#### INDUSTRY AND ENVIRONMENT

The Council heard a statement by Vice-President BANGEMANN on the work being carried out by the Commission on problems related to industry and the environment.

#### MINING POLICY

The Council heard a statement by Vice-President BANGEMANN on the mining industry, with particular reference to the implementation of the Resolution adopted by the Council on 28 June 1989.

After a discussion, the Council asked the Commission to submit a report on this issue for examination at the next meeting of the Industry Council on 24 November 1992.

#### SHIPPING INDUSTRIES

The Council heard a statement by Vice-President BANGEMANN on the shipping industries, during which he announced that the Commission intended to submit a report to the Council on this subject, particularly in the light of the work of the Marine Forum bringing together representatives of the various parties concerned.

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ECSC

- STATE AID TO THE STEEL INDUSTRY

The Council took note of a Commission communication concerning the compatibility with the code on aid to the steel industry of aid in Denmark and the Netherlands to reduce the tax burden on steel undertakings deriving from the introduction in those countries of a tax on carbon dioxide emissions.

The Council instructed the Permanent Representatives Committee to examine the proposal for a Decision to be adopted by the Commission so that the Council could give its assent, if possible during June.

- ECSC FUTURE FINANCIAL ACTIVITIES

The Council noted that the Commission intended to submit to it in the near future a communication on ECSC future financial activities.

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AID TO SHIPBUILDING

The Council reached a political agreement pending the Opinion of the European Parliament on the conditions under which the shipbuilding sector of the five new German Länder may be granted a derogation from the 7th Community shipbuilding Directive. The 7th Directive controls the level and terms of state aid authorized for the Community's shipbuilding industry.

The Council considers the Commission proposal to be a fair and balanced package accommodating both the unusually severe economic and social problems facing the Mecklenburg-Western Pomeranid region as it adapts to competition within the Community, and the considerable sensitivity of this sector in other Member States and the impact which aid can have on other European Community shipyards.

When the 7th Directive was adopted in December 1990, the Council and the Commission acknowledged that the particular problems of the shipbuilding industry in the territories of the former German Democratic Republic might, during a transitional period, require aid support which could not be covered under the provisions of the Directive.

The levels of aid permitted under the derogation will be strictly limited in time, and restricted to the yards of the new Länder for the purposes of restructuring those yards in order to enable them to acquire similar standards of efficiency and competitiveness to shipyards in other Member States.

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Operating aid levels above those in the 7th Directive will be allowed until the end of 1993. Such aid will be strictly conditional upon an irreversible reduction in capacity of 40%, based on capacity levels in July 1990. This process must be completed by the end of 1995. This major capacity reduction will be accompanied by job losses in the order of 25 000.

The operating aid permitted would, for each existing yard in the new Länder, include:

- (a) a percentage of debts incurred prior to July 1990 in order to take account of stocks still in existence after that date;
- (b) fresh capital to enable the yards to achieve sufficient levels of liquidity;  
and
- (c) compensation for losses incurred strictly as a result of the cost gap between these yards and other Community yards until the end of the restructuring period.

Additional safeguards will be included so that in cases where a yard from the new Länder competes with a yard from another Member State for a contract, the Commission will put in place procedures to ensure that intra-Community trade is not unduly affected.

#### OTHER BUSINESS

##### - State aids to SMEs

The Council took note of the need to draft a definition of SMEs.

##### - Spas and hydrotherapy

The Council took note of information from the Portuguese delegation on the outcome of a seminar held recently in Portugal on this question.

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BRUSSELSH 18 JUNE 1992

NOTE BIO (92) 158 AUX BUREAUX NATIONAUX  
CC. AUX MEMBRES DU SERVICE PORTE-PAROLE

INDUSTRY COUNCIL 17 JUNE 1992 (P. GUILFORD)

INDUSTRY MINISTERS HAVE REACHED A POLITICAL AGREEMENT ON A DEROGATION FOR THE SHIPYARDS OF THE NEW GERMAN LANDER ENABLING THEM TO RECEIVE MORE STATE AID THAN OTHER EC YARDS OVER A LIMITED PERIOD IN RETURN FOR A MAJOR CUT IN CAPACITY. THE EUROPEAN PARLIAMENT, WHOSE OPINION IS NEEDED BEFORE A FORMAL AGREEMENT CAN BE REACHED IS EXPECTED TO CONSIDER THE PACKAGE AT ITS JULY PLENARY SESSION

UNDER THE AGREEMENT THE YARDS OF THE FORMER GDR MAY RECEIVE OPERATING AID IN THREE FORMS

A) ANNULMENT OF DEBTS HANGING OVER FROM BEFORE UNIFICATION (JULY 1, 1990). DEBT INCURRED UNDER THE FORMER POLITICAL SYSTEM MAY BE WRITTEN OFF ANYWAY, EXCEPT FOR 400/0 WHICH IN THE COMMISSION'S EYES CORRESPONDS TO OUTSTANDING CREDIT FOR STOCKS WHICH STILL EXIST AND COULD BE USED TO BUILD NEW SHIPS AFTER UNIFICATION. THESE 400/0 OF PAST DEBTS MAY THEREFORE BE WRITTEN OFF UNDER THE DEROGATION

B) FRESH CAPITAL NEEDED TO GIVE THE YARDS IN THE NEW LANDER SUFFICIENT LEVELS OF LIQUIDITY

C) COMPENSATION FOR LOSSES INCURRED BY THE FACT THAT DURING THE SEVERE RESTRUCTURING PERIOD (IE UP TO THE END OF 1995) THE YARDS WILL CARRY HEAVIER COSTS THAN THEIR COUNTERPARTS ELSEWHERE IN THE COMMUNITY. THEY WILL BE LESS EFFICIENT ANYWAY, AND WILL BE INVOLVED IN THE PAINFUL PROCESS OF STREAMLINING THEIR OPERATIONS.

THESE THREE AID ELEMENTS TOGETHER CONSTITUTE A MAXIMUM OF 360/0 OF

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TO C.E WASHINGTON - WASHINGTON  
REF 2170059975 - 18-06-1992 11:03

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SHIPBUILDING TURNOVER IN THE NEW LANDER, AS 'RECONSTRUCTED' AS

THOUGH THE YARDS WERE OPERATING AT AVERAGE EC LEVELS OF EFFICIENCY AFTER THE RESTRUCTURING PERIOD (THE NUMBER OF WORKERS REMAINING, MULTIPLIED BY AVERAGE ANNUAL OUTPUT OF AN EC SHIPYARD WORKER) THE EXACT FIGURES OF PERMITTED AID ARE IN FACT 35.70% FOR THE MATHIAS-THESE WERFT, 35.80% FOR WARROW WERFT AND 23.90% FOR PEENE WERFT. THESE THREE YARDS ARE ALREADY BEING SOLD TO WEST GERMAN AND NORWEGIAN COMPANIES AND THE AID LEVELS WILL APPLY TO THESE AND THE REMAINING THREE UNSOLD YARDS. PAYMENT OF THE AID MAY NOT TAKE PLACE AFTER THE END OF 1993.

IN RETURN CAPACITY WILL HAVE TO BE CUT BY 400% BY THE END OF 1995, USING JULY 1990 CAPACITY LEVELS AS A BASE. THIS WILL INCUR JOB LOSSES TOTALLING ABOUT 25,000 SINCE GERMAN UNIFICATION. THE CUTS MUST BE 'IRREVERSIBLE'

THE POLITICAL AGREEMENT IS BROADLY IN LINE WITH THE COMMISSION'S ORIGINAL PROPOSAL. IT MARKS A COMPROMISE BETWEEN THOSE MEMBER STATES SEEKING TOUGHER CAPACITY CUTS, AND GERMANY, WHICH WANTED SOFTER REDUCTION REQUIREMENTS. THE COMMISSION EXPLAINED THAT ITS PROPOSAL WAS A FAIR AND BALANCED PACKAGE ACCOMMODATING THE

UNUSUALLY SEVERE ECONOMIC AND SOCIAL PROBLEMS FACING THE NEW LANDER AS THEY ADAPT TO EC COMPETITION AND THE EXTREME SENSITIVITY OF THIS SECTOR IN OTHER EC NATIONS WHERE AID CAN HAVE A SERIOUS EFFECT ON THEIR COMPETING SHIPYARDS.

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SEVERAL ADDITIONS WERE MADE TO THE TEXT TO REASSURE OTHER SHIPBUILDING COUNTRIES THAT THE AID WILL NEITHER SPILL OVER INTO WEST GERMAN YARDS NOR WILL IT BE USED TO HELP EAST GERMAN YARDS UNDERCUT OTHER EC YARDS BIDDING FOR THE SAME CONTRACT. THIS TAKES THE FORM OF A DECLARATION STATING THAT 'THE COMMISSION WILL ENSURE THAT THIS AID DOES NOT AFFECT TRADING CONDITIONS TO AN EXTENT CONTRARY TO THE COMMON INTEREST', BACKED UP BY A STATEMENT IN THE MINUTES SAYING THAT 'IN CASES WHERE SHIPYARDS IN EAST GERMANY ARE COMPETING FOR THE SAME CONTRACTS WITH YARDS OF OTHER MEMBER STATES AND WHERE THERE IS NO SUBSTANTIATED COMPETITION FROM THIRD COUNTRIES, MEMBER STATES MAY REFER THE MATTER TO THE COMMISSION IF THEY BELIEVE THE PRICE QUOTED IS UNDULY LOW AS A

RESULT OF THE AID GRANTED. THE COMMISSION  
WILL EXAMINE SUCH CASES IN THE LIGHT OF THE

PRINCIPLES UNDERLYING THE 7TH  
DIRECTIVE . AND MAY REQUIRE THE PRICE TO BE  
INCREASED, UP TO A MAXIMUM CORRESPONDING TO  
THE LOWEST PRICES OFFERED BY SHIPYARDS IN  
THE OTHER CONCERNED MEMBER STATES'

AMITIES

BRUNO DETHOMAS

SENT BY SPP AT THU JUN 18 10:25:32 METS 1992

+++ END OF TEXT +++