

**THE EUROPEAN COUNCIL**

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Documents in the dossier include:

*Conclusions*

Session of the European Council  
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*Implementing the Single Act: From Brussels to Copenhagen*  
Reproduced from the Bulletin of the European Communities, No.7/8-1987

*Implementing the Single Act: Follow-up to the Copenhagen European Council*  
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*E.C. Summit Welcomes Nuclear-Missile Treaty*  
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## Session of the European Council

Copenhagen, 4 and 5 December 1987

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### Conclusions

#### European political cooperation

#### Declaration on East-West relations

1. The European Council welcomes the important prospects of an improvement in East-West relations and acknowledges that the forthcoming summit in Washington will mark a significant step forward in these relations.
2. The agreement on global elimination of United States and Soviet land-based intermediate-range nuclear missiles will be a milestone, eliminating for the first time an entire class of weapons. The Twelve hope that this agreement will enter into force soon.

They consider it essential that this achievement in nuclear arms control should give further impetus to substantive progress in the whole range of present and future bilateral US-Soviet and multilateral negotiations on arms control and disarmament.

3. The Twelve will continue to seek through the CSCE process more secure and more cooperative relations between the participating States. All the undertakings made in Helsinki and Madrid should be fully implemented.

Respect for human rights and freedom is a prerequisite for confidence, understanding and cooperation. The Twelve are determined that the Vienna meeting should benefit all individuals in the 35 countries involved.

The Twelve wish to build upon the achievements of the Stockholm Conference (CDE) and will contribute to the elaboration of a further set of confidence- and security-building measures. They will work resolutely towards a stable and secure balance of conventional forces in Europe at a lower level.

4. In all this, the Twelve will cooperate closely with other countries which share their ideals, values and objectives.

## Declaration on the Middle East

1. The European Council deplores the continuing absence of resolution of the crises in the Middle East.
2. The Twelve reaffirm their willingness to develop their political dialogue with all States in the Middle East. They also wish economic cooperation to progress and in particular the current negotiations on an agreement between the European Community and the countries of the Gulf Cooperation Council to be completed rapidly.
3. The European Council expresses its profound concern about the continuation of the war between Iraq and Iran and reiterates its firm and whole-hearted support for Security Council Resolution 598 as the means to bring an end to this armed conflict. The Twelve continue to give their unreserved and strong support to the efforts of the United Nations Security Council and the Secretary General to obtain the immediate and full implementation of this resolution. Continued noncompliance with this mandatory resolution is not acceptable to the world community and the appropriate action should now be taken to enforce its implementation by means of a follow-up resolution.
4. The Twelve confirm their desire for a negotiated solution to the Arab-Israeli conflict which would bring to the region a just, comprehensive and lasting peace in accordance with the principles set out in the Venice Declaration, and reiterate their support for an international peace conference under the auspices of the United Nations. They welcome the endorsement given to such a conference by the Arab League summit in Amman under the chairmanship of King Hussein of Jordan. They call for renewed efforts by all concerned to reach agreement on arrangements for the conference to be held as soon as possible.

The Twelve reiterate their preoccupation about human rights and living conditions in the Occupied Territories. Without prejudging future political solutions they will continue to contribute to the economic and social development of those territories.

5. The European Council remains deeply concerned about the situation in Lebanon. It calls for a peaceful solution to the Lebanese crisis which should be based on the independence, unity, sovereignty, territorial integrity and national reconciliation of that country. The Twelve reaffirm their support for Unifil and call on all concerned to support the force and to allow it to fulfil its mandate unobstructed. They reiterate their condemnation of the continuing detention of hostages and victims of kidnapping in Lebanon, and call for their immediate release.

## Declaration on Afghanistan

The European Council examined the situation in Afghanistan, which remains an important source of international tension eight years after the invasion by Soviet troops. The Twelve pay tribute to the Afghan people's spirit of independence. They also acknowledge the courage of the people of Pakistan, which has suffered so much as a result of this conflict, and the generous assistance provided by that country to more than 3 million Afghan refugees.

The Twelve support the persistent efforts by the UN Secretary-General and his personal representative to find a negotiated solution which would put an end to the tragic human suffering and the continuing violations of human rights in Afghanistan, allow the refugees to return and restore Afghanistan as a genuinely independent and non-aligned country. The principles which must underlie a settlement have once more been overwhelmingly endorsed at this year's UN General Assembly.

The Twelve take note that Soviet leaders have announced their intention to find a political solution in Afghanistan. They believe there should now be an urgent new impetus in the peace negotiations and call on the Soviet Union to:

- withdraw all its troops by a date in 1988 according to a fixed timetable;
- agree to the establishment of a transitional government, whose independence could not be contested, to make preparations for a new constitution and a genuine act of self-determination;
- recognize that the participation of the Afghan resistance is essential to a comprehensive political settlement.

The Twelve remain ready to contribute constructively towards the achievement of an acceptable settlement, which would bring about a significant improvement in international relations.

# 1. Implementing the Single Act

## From Brussels to Copenhagen

1.1.1. The European Council, meeting in Brussels on 29 and 30 June, adopted a work programme<sup>1</sup> for the Council and the Commission setting out general guidelines for implementing the Commission communication 'The Single Act: A new frontier for Europe'.<sup>2</sup> The European Council is to adopt its final position in Copenhagen in December.

In accordance with these guidelines and the arrangements agreed between them on 20 July, the Commission, on 4 August, sent the Council a communication on reform of the structural Funds, a proposal for a decision on the Communities' own resources system, a communication on budget discipline and a review of action taken to control the agricultural markets and the outlook for the common agricultural policy.

These proposals and communications make up a politically indivisible whole.

## Reform of the structural Funds

1.1.2. Pursuant to Article 130d of the EEC Treaty (as amended by the Single European Act) and following on from the preliminary draft transmitted in April,<sup>3</sup> the Commission sent the Council a comprehensive proposal for reforming the structural Funds.<sup>4</sup> It is a proposal for a framework Regulation, on which, under the Single Act, The Council is to act unanimously within one year; the Commission will then present implementing Regulations for each Fund, which the Council will adopt by a qualified majority.

To remedy the shortcomings of the Community's present arrangements for structural assistance, the reforms proposed seek to boost the effectiveness of measures by means of better overall coordination and multiannual programming.

The Commission's plan revolves around four guiding principles that are indissolubly linked to one another: concentration of resources on a limited number of objectives; concentration on the least-favoured regions; increase in the financial resources available; rationalization of operating methods. The reform is to concentrate on five main objectives: promoting the development and structural adjustment of the less-developed regions; converting the declining industrial regions and facilitating the restructuring of declining industries; combating long-term unemployment; helping to place young people in jobs; speeding up the adjustment of agricultural structures (with the emphasis on farmers particularly hard hit by the reform of the common agricultural policy) and promoting the development of rural areas.

The concentration of resources will be of most benefit to the less-favoured regions of the Community (containing about 20% of the Community's population), those with a per capita GDP of less than 75% of the Community average, and Northern Ireland.

The ERDF resources earmarked for these regions could account for up to 80% of total appropriations; the remainder and a substantial proportion of European Social Fund assistance will complement national measures and the loans and resources raised through financial engineering operations for regions experiencing industrial decline, where the level of unemployment and the seriousness of the industrial problems will serve as the criteria of eligibility for Community assistance.

The planned reform affirms the priority of operational programmes, set up in consultation with the national and, where appropriate, the regional and local authorities, as opposed to isolated projects.

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<sup>1</sup> Bull. EC 6-1987, point 1.1.5.

<sup>2</sup> Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

<sup>3</sup> Bull. EC 4-1987, point 2.1.90.

<sup>4</sup> OJ C 245, 12.9.1987; COM(87) 376 final.

It embodies the objective of doubling structural Fund appropriations in real terms by 1992.

This would increase the structural Funds' share in the budget from 16% to about 25% in order to narrow the gaps in development between the north and south of the Community, which are so many obstacles in the way of arriving at a single large market.

## Future financing of the Community

### *Own resources and budgetary discipline*

1.1.3. On 4 August the Commission sent the Council and Parliament two proposals and a communication designed to provide a legislative and practical framework for the key elements of its proposal for the future financing of the Community, appearing in the paper it published in February 'The Single Act: A new frontier for Europe'.<sup>1</sup> These are a proposal for a Decision on the system of the Communities' own resources,<sup>2</sup> a communication on budgetary discipline<sup>3</sup> and a second amendment to the proposal for a Council Regulation amending the Financial Regulation of 21 December 1977 applicable to the general budget of the Communities.<sup>4</sup>

### Own resources

1.1.4. The proposal for a Decision on own resources incorporates all the basic ideas contained in February's paper,<sup>1</sup> namely:

- (i) including ECSC customs duties in own resources;
- (ii) ending the 10% refund to cover the cost of collecting traditional own resources;
- (iii) setting a ceiling of 1% of a harmonized VAT base;
- (iv) introducing an additional (fourth) type of resource to be based on the difference between each Member State's GNP and its harmonized VAT base.

However, it also includes the following:

(i) Within the overall limit of 1.4% of GNP, there are to be annual ceilings on the call-in rate ranging from 1.20% of GNP in 1988 to 1.30% in 1992; observance of this ceiling will be based on a strict relationship between commitment appropriations and payment appropriations throughout the period 1988-92. Within those bounds commitment appropriations must progress in orderly fashion, culminating in 1992 in a total allocation of commitment appropriations of less than 1.4% of GNP.

(ii) The present system of the harmonized VAT base will be retained, rather than replaced by the actual VAT base. Member States clearly prefer the present system, which the national administrations are used to. But greater efforts will be needed to ensure that Member States' payments are uniformly determined.

The proposed Decision also provides for the possibility of introducing an additional own resource before 1992. The Decision will in no way be prejudicial to the discussions which have yet to take place on the correction of budgetary imbalances.

It is to enter into force immediately after the last Member State to complete its ratification procedures has notified the Council accordingly. It will have effect from 1 January 1988, as agreed by the European Council.<sup>5</sup>

### Budgetary discipline

1.1.5. Application of the arrangements introduced by the Decision of 5 December 1984<sup>6</sup> having proved disappointing, the Commission has therefore suggested improvements which seek to ensure:

- (i) application of budgetary discipline to all expenditure, i.e. to both payment and commitment appropriations;

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<sup>1</sup> Supplement 1/87 — Bull. EC; Bull. EC 2-1987, point 1.1.1 *et seq.*

<sup>2</sup> OJ C 241, 8.9.1987; COM(87) 420 final.

<sup>3</sup> COM(87) 430 final.

<sup>4</sup> COM(87) 400.

<sup>5</sup> Bull. EC 6-1987, point 1.1.5.

<sup>6</sup> Bull. EC 12-1984, point 1.3.1.

- (ii) strict application of the principle that EAGGF guarantee expenditure must not increase faster than own resources, i.e. GNP;
- (iii) growth of non-compulsory expenditure in line with the multiannual financial forecasts adopted by the budgetary authority at the beginning of each year;
- (iv) tighter rules on budget management, which means revision of the Financial Regulation: the Commission has already submitted proposals to this effect (→ point 1.1.10);
- (v) a commitment on the part of all the institutions involved.

The Commission's communication deals with four aspects of stricter budgetary discipline:

#### *General principles*

1.1.6. The overall ceiling of 1.4% of GNP should enable the Community to finance its development by providing a smooth growth path for the budget in terms of GNP, as set out in the multiannual financial forecasts. For payment appropriations the decision on new own resources will determine for each year an annual ceiling for the own resources which may be called in, ranging from 1.20% of GNP in 1988 to 1.30% in 1992. The ceiling for 1992 (1.30% of GNP) is lower than the overall own resources ceiling (1.40% of GNP) in order to give the Community a small safety margin which it can draw upon if need be and ensure that it will not find itself once again in the position it has been in throughout the 1980s whenever a decision has had to be taken to allow it new own resources.

Commitment appropriations will be subject to strict limits too: they will have to be kept below the 1992 ceiling of 1.4% of GNP, and a strict relationship will have to be maintained between commitment appropriations and payment appropriations.

#### *Budgetary discipline and agriculture*

1.1.7. The application of budgetary discipline to agriculture will be based on four measures:

- (i) establishment of a reference framework (or guideline) for agriculture;
- (ii) introduction of stabilizers for all market organizations (→ point 1.1.13);
- (iii) implementation of the new financing arrangements proposed in connection with revision of the Financial Regulation and abandonment of the advances system in favour of a reimbursements system (→ point 1.1.10);
- (iv) definition of what constitutes exceptional circumstances and arrangements to cater for them.

#### *Budgetary discipline and non-compulsory expenditure*

1.1.8. The application of budgetary discipline to non-compulsory expenditure (structural Funds, research etc.) should make it possible to put the political guidelines enshrined in the Single Act<sup>1</sup> into effect with the same strictness as now applies in the Member States, within the framework of the multiannual financial perspective.

The financial perspective will be submitted to the Council and Parliament for approval each year. It will be for the two arms of the budgetary authority to take a decision on the overall allocation of non-compulsory expenditure and to negotiate on the relative size of the increases in appropriations within the multiannual perspective. The rate of increase for non-compulsory expenditure will be determined in compliance with Article 203(9) of the Treaty.

#### *Interinstitutional agreement*

1.1.9. The Commission considers that tighter budgetary discipline presupposes a consensus between all the parties involved and that in future the budgetary procedure must unfold in an atmosphere of trust between the Council, Parliament and the Commission.

<sup>1</sup> Supplement 2/86 — Bull. EC.

It therefore suggests that rules governing the application of budgetary discipline to non-compulsory expenditure should be set out in a joint decision of the budgetary authority at the beginning of each year's procedure.

### Financial Regulation

1.1.10. The Commission also sent the Council a second amendment to its December 1980 proposal<sup>1</sup> for a Regulation amending the Financial Regulation of 21 December 1977 applicable to the general budget of the Communities.<sup>2</sup> This proposal rounds off the amended proposal that the Commission addressed to the Council on 15 March 1984<sup>3</sup> after obtaining the opinion of Parliament<sup>4</sup> and the Court of Auditors<sup>5</sup> on the original proposal of 1980.

These amendments constitute the key element for achieving tighter discipline and improved budget management.

The Commission's proposal covers four main points:

- (i) strengthening the principle of annuality by discontinuing automatic carryovers and restoring certain appropriations following cancellation of commitments;
- (ii) introducing a specific overall reserve to counterbalance the stricter approach to determining budget appropriations;
- (iii) changing the special provisions applicable to the EAGGF Guarantee Section so as to implement the proposals for replacing the system of advances by a system of reimbursements<sup>6</sup> while ensuring tighter budgetary control by booking expenditure item by item;
- (iv) extending the role of the ECU by advocating its use as the instrument for expressing the Community's financial rights and obligations.

### Review of action to control the agricultural markets and outlook for the common agricultural policy

1.1.11. On 4 August the Commission sent the Council a communication entitled

'Review of action taken to control the agricultural markets and outlook for the common agricultural policy'.<sup>7</sup> This paper is a contribution to the process of reforming the common agricultural policy which has been under way for some years now, particularly since 1984, in which the discussion on the basis of the Green Paper<sup>8</sup> played a crucial role. Apart from its value as an appraisal it indicates the additional features to be built in to the existing stabilizers and highlights the need to continue with the current measures.

### Review of the reforms

1.1.12. The adjustments made to the common agricultural policy over recent years have been related to the following four objectives:

- (i) control of production and expenditure;
- (ii) reduction of stocks;
- (iii) preservation of the European pattern of agriculture and the outlook;
- (iv) international concerted action.

The purpose of the measures gradually being introduced is to bring production and expenditure under control. The products on which reform has been chiefly brought to bear are cereals,<sup>9</sup> milk,<sup>10</sup> oilseeds and olive oil<sup>11</sup> and beef/veal.<sup>12</sup> It has already shown results and helped curtail support. Unfortunately, the cost of support has been partly obscured by the existence on the Community markets of heavy stocks — the 'weight of the past'.

<sup>1</sup> OJ C 119, 21.5.1981; Bull. EC 12-1980, point 2.3.72.

<sup>2</sup> OJ L 356, 31.12.1977.

<sup>3</sup> OJ C 97, 9.4.1984; Bull. EC 3-1984, point 2.3.2.

<sup>4</sup> OJ C 277, 17.10.1983; Bull. EC 9-1983, point 2.3.2.

<sup>5</sup> OJ C 232, 11.9.1981.

<sup>6</sup> OJ C 137, 22.5.1987; Bull. EC 5-1987, point 2.1.177.

<sup>7</sup> COM(87) 410 final.

<sup>8</sup> Bull. EC 7/8-1985, point 1.2.1 *et seq.*; Bull. EC 12-1985, point 1.2.1 *et seq.*

<sup>9</sup> Bull. EC 11-1985, point 2.1.127 *et seq.*; OJ L 139, 24.5.1986; Bull. EC 4-1986, point 2.1.107.

<sup>10</sup> Bull. EC 12-1986, point 2.1.211 *et seq.*

<sup>11</sup> OJ L 133, 21.5.1986; Bull. EC 4-1986, point 2.1.109.

<sup>12</sup> Bull. EC 12-1985, point 2.1.154 *et seq.*; Bull. EC 12-1986, point 2.1.119 *et seq.*



## Existing stabilizers and new machinery

1.1.13. In the light of these initial results, existing stabilizers need appropriately to be strengthened and new ones introduced for those product groups where market mechanisms do not sufficiently curb production. This is the case with protein crops, sheep-meat, wine, certain fruits and vegetables and tobacco. For beef/veal and cereals the current mechanisms should be strengthened.

The measures proposed are in line with the Commission proposals presented over the years since 1980, namely:

- (i) more restrictive pricing;
- (ii) less permanent and more restrictive intervention;
- (iii) restriction of support by the establishment of binding quotas and guarantee thresholds, strengthening producers' co-responsibility.

Another point to note is that the Commission has undertaken to let the Council have its conclusions in September on the stabilization mechanism already proposed for vegetable oils and fats<sup>1</sup> and on its consultations with the main parties concerned.

Other reports such as the paper on application of the milk quotas and the proposals required for implementing the proposed adjustments will be laid before the Council from next September.

## Preservation of the European pattern of agriculture and the outlook

1.1.14. The Commission points out that it is in agriculture's and farmer's own interests to ensure control of production and costs. These objectives are sought by a consistent policy which shows equal concern for farming incomes, preserving family farmholdings, Community cohesion and European agriculture in the world context.

With this in mind appropriate protective measures have been proposed and adopted:

- (i) in the application of some adjustments, market mechanisms have been differentiated (exemption from certain taxes or levies, compensation);
- (ii) farm structures policy has been strengthened and amplified by adoption of two sets of measures in March 1985<sup>2</sup> and March 1987;<sup>3</sup>
- (iii) the Commission will be submitting in the autumn of 1987 a report on the future of rural areas, backed up by proposals.

## External relations

1.1.15. The Commission insists that one of the conditions for the success of the changes being made is to adopt 'a firm attitude towards the outside world, which is now even more necessary because of adjustments made internally'.

The Community cannot continue, much less complete, the process of adjusting the CAP unless the Community's partners also embark resolutely on the same course and unless all producers make a joint effort to stabilize world markets.

This means that the producer countries must take steps to control their production and concert their efforts to align supply on demand. This must mean reduced support for agriculture. The Commission will not fail to make proposals based on the commitments entered into at Punta del Este,<sup>4</sup> in OECD<sup>5</sup> and at Venice.<sup>6</sup> Early in October it will lay before the Council the main points of the position it plans to adopt in the GATT negotiations.

<sup>1</sup> OJ L 89, 3.4.1987; Bull. EC 2-1987, point 1.2.14.

<sup>2</sup> OJ L 93, 30.3.1985; Bull. EC 3-1985, point 2.1.111 *et seq.*

<sup>3</sup> OJ L 167, 26.6.1987; Bull. EC 6-1987, point 2.1.180; Bull. EC 3-1987, point 2.1.176.

<sup>4</sup> Bull. EC 9-1986, point 1.4.1 *et seq.*

<sup>5</sup> Bull. EC 5-1987, point 2.2.42.

<sup>6</sup> Bull. EC 6-1987, point 1.2.1 *et seq.*

# 1. Implementing the Single Act

## Follow-up to the Copenhagen European Council

1.1.1. The Copenhagen European Council on 4 and 5 December achieved some substantial progress in the preparation of a full agreement on the three reforms proposed by the Commission (of the common agricultural policy, the structural Funds and the Community budget).<sup>1</sup> However, since total agreement could not be reached, it was thought preferable not to issue any conclusions and to meet again in Brussels on 11 and 12 February rather than undermine the logic of the Commission's series of proposals. It did, however, adopt declarations on East-West relations, Afghanistan and the Middle East (→point 2.4.1).

## Schlüter and Delors report to Parliament

1.1.2. Mr Poul Schlüter, President of the Council, and Mr Jacques Delors, President of the Commission, reported on the work of the European Council to the December part-session of Parliament.<sup>2</sup>

## Extracts from Mr Schlüter's speech

1.1.3. '... The meeting of the European Council on 4 and 5 December 1987 was a disappointment ... The fact of the matter is that there has to be a decision on the future financing of the Community ...

There is no way around it. Which is why both the Community and the Member States had been determined that a decision should be reached on this occasion. This would have resolved the current problems of Community financing. This would have provided a financial framework for the development of the Community. This would have laid the foundation for a renewed cooperation centred on economic and social interdependence and the establishment of new common policies.

At the meeting of the European Council the Danish Presidency made extensive and wide-ranging proposals which followed the main lines and basic ideas of the Commission's memorandum on long-term financial reform which was to provide the

framework for the Community's development for the next five to six years ...

The Danish Presidency's memorandum to the meeting contains proposals for resolving all the main aspects of relevance to the matter of the Community's future financing.

## *Agricultural policy*

... There is a need to reintroduce pricing as an instrument and make agricultural policy more market-oriented. Such a step must be accompanied by increased use of set-aside arrangements as well as other means available for agricultural policy.

The vital sector is cereals and also oilseeds and protein products, and it was in this sector that the Presidency tried to obtain a breakthrough in the negotiations on the basis of the model I have just outlined.

It was not a success. Some Member States thought that the Presidency's memorandum went too far; others, that it did not go far enough. Strictly speaking this should have led to the natural conclusion that the Presidency's memorandum was therefore the only possible basis for a compromise, but the delegations maintained their standpoints...

We [Danes] are ourselves agricultural producers. It was therefore not easy for us to put forward proposals which will undoubtedly be painful for the agricultural sector and in our own country as well. We did it none the less, because it was necessary ...

## *Budgetary discipline*

Budgetary discipline must be an accompaniment, a complement or —if you wish— a safety net for the actual reform of the agricultural policy itself.

It was our intention in this way to preserve the common policy and ensure, by adjusting the common agricultural policy, that it remains under control.

This was our principal objective. A reform of the policy itself with budgetary discipline as a supporting factor ...

As far as non-compulsory expenditure is concerned, the Presidency proposed a solution which

<sup>1</sup> Bull. EC 7/8-1987, point 1.1.1 *et seq.*

<sup>2</sup> For Parliament's opinions on the Commission's proposals, see Bull. EC 11-1987, point 1.1.1 *et seq.*

