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THE WEEK IN EUROPE

Delors Plan for Monetary Union to go ahead. The European Summit in Madrid achieved a substantial compromise on Tuesday over the three-stage plan put forward by Commission President Jacques Delors for Economic and Monetary Union (EMU) leading eventually to a single currency and a central European Bank. The subject dominated the discussions presided over by Spanish Prime Minister Felipe Gonzalez. He eventually persuaded the twelve Heads of State and Government to accept a declaration which all could subscribe to including the UK Prime Minister Margaret Thatcher who had previously poured scorn on the proposals. The compromise essentially consisted of accepting that the first stage of the plan should be implemented next year starting 1 July 1990 after which an Inter-Governmental Conference should be convened to discuss procedures leading towards stages two and three. Mrs Thatcher (whose Conservative Party had lost seats in the Elections for the European Parliament the previous week) had according to her advisers, come to the Conference in a positive spirit but wishing to deny any link between the first and the subsequent stages of the Delors Report. In the event words were found enabling everyone round the table to report satisfaction. At his final Press Conference Mr Gonzalez paid tribute to the Prime Minister. "Thank God for Mrs Thatcher", he said. "When I visited her in Downing Street last week I never believed we would be agreeing this plan today". President Delors also expressed his satisfaction. As he saw it the Community was moving on. More than 10% of the Internal Market programme had been agreed during the Spanish Presidency. It was only a year since his Committee had been given the task of preparing a report on EMU and here it was accepted. The movement towards EMU was now irreversible. Questioned about the Prime Minister's view that there was no organic link between the first and later stages, President Delors replied that political strip-tease had several stages not necessarily connected one with the other. Taking account of the concessions made by Mrs Thatcher, he suggested that the fact that an Inter-Governmental Conference was accepted meant that the principle of a change in the Treaty was also accepted. He believed that the Delors Plan pointed the only way towards EMU. It had in any case been adopted unanimously by the twelve Bank Governors and experts who, he said, went from neo-Keynsians to the Ayatollahs of monetarism. It was of course possible to amend his Plan but he awaited other ideas with interest. President Delors however regretted that the Conference had not found a similar consensus on the other sensitive issue before the Summit: the proposed Social Charter enshrining workers' rights which should accompany the moves towards the Single Internal Market. He said afterwards that he was sorry Mrs Thatcher, whose Government has consistently opposed proposals which it says should be the preserve of national legislation given the differing traditions and experiences in the Community members, had not picked up the olive branch he had held out. This would have distinguished between the solemn declaration of rights which would consist of the Charter and the work programme which the Commission had prepared on the basis of the rights given to the Community under the Treaty of Rome. This subject looks certain to impress itself on Community politics when France takes over the Presidency on 1 July (Saturday). Other matters mentioned in the Summit Conclusions: action on VAT and tax evasion; a welcome for Israeli plans for elections in the occupied territories; a plan put forward by Spain for a fund guaranteed by the Community to help debt ridden countries in Latin-America, North Africa, the Far East and Eastern Europe. (This was "taken note of" by the Community leaders.)

EC action on China agreed. An important package of sanctions against China was also adopted at the EC Summit in protest at the repression of the Chinese pro-democracy movement. The EC measures include - suspension of all inter-governmental contacts and ministerial visits to China; the shelving of loans by Community Member States and a request to international institutions to freeze their loans to China; a ban on all arms sales and military co-operation with China; strict limitation of scientific, cultural and technical contact; and a call for greater respect for human rights and a pledge to raise violations in all international institutions of which China is a member. The EC move coincided with the World Bank decision to defer consideration of several new loans to China, worth in total just over £500m.

Community action to promote twinning schemes. For the first time, the 1989 Community budget includes provision for financial assistance to promote twinning between cities and towns in the Community. In response to a call by the European Parliament, 3m ecus (£2m) has been earmarked for this purpose in this year's budget. The aim of the scheme is to boost the involvement of European citizens and their local representatives in European integration. Application forms can be obtained from the Commission or European Parliament Information Offices in the Member States, from national and European twinning organisations, or direct from the Secretariat-General of the Commission in Brussels (Grants Section).

Japan to implement GATT recommendations on semi-conductors. Following numerous contacts with the Commission, Japan has now accepted to bring its measures relating to exports of semi-conductors to countries other than the United States into conformity with the GATT Council recommendations adopted in May 1988, with effect from 1 June 1989. Monitoring of semi-conductor exports will take place only after export and the Japanese government will refrain from taking any action relating to the determination of export prices or quantities of any specific export and from restraining exports of any company.

Companies need to "think European". Speaking to the Top Management Forum in Paris on Monday, Commission Vice-President Martin Bangemann said companies need to "think European". He said that with the larger market in Europe, there will also be a growing need for larger business units. So far, he added, most large European firms still see themselves primarily as "national companies". This nationalistic way of thinking is particularly marked in banks and insurance companies, although European car manufacturers and food producers have so far showed little inclination for the European dimension either. "Of the 46 largest European companies in the food, drink and tobacco sector, almost half are only active in one other Community country. Only 10% of these national market leaders work in at least four of the big Community countries".

Food aid for Bangladesh, Sudan and Tanzania. Food aid is to be given to Bangladesh (170,000 tonnes of cereals and 2,200 tonnes of vegetable oil), Sudan (30,000 tonnes of cereals, 1,000 tonnes of milk powder, 1,000 tonnes of vegetable oil and 200 tonnes of butteroil) and Tanzania (aid valued at 2.6m ecus, £1.75m).

Diary Dates

Informal Social Affairs Ministers	10 July	Auxerre
ECO/FIN Council	10 July	Brussels
ECO/SOC Plenary Session	12-13 July	Brussels
General Affairs Council	17-18 July	Brussels
Internal Market Council	18 July	Brussels
Agricultural Council	24-15 July	Brussels
European Parliament Session	25-28 July	Strasbourg
Budget Council	28 July	Brussels

Our next briefing will take place on Thursday, 6 July 1989 at 11.30 am.