

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## REPORT TO THE EUROPEAN COUNCIL

of 5 and 6 December 1986

COMPLETING AN AREA WITHOUT FRONTIERS

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Report to the European Council

**COMPLETING AN AREA WITHOUT FRONTIERS**

1. At its meeting at the Hague in June the European Council emphasised - as it had at Milan and at Luxembourg - the importance of the "perfection of the internal market"; "the urgent need to make progress"; to "improve ... the decision-making process ... substantially"; and "to give high priority to the measures ... based on the Commission's White Paper".

It singled out as "Areas of Special Interest" the liberalisation of land, sea and air transport; the removal of fiscal barriers at frontiers; the opening up of public contracts; and the general area of "People's Europe".

2. Progress since June has been disappointing. Work has intensified on Commission proposals in two of these areas (transport and public contracts), but no measures have yet been adopted by the Council. As far as public contracts are concerned, the Commission proposal on public services has made useful progress, though an opinion from the European Parliament is still awaited; and a further proposal on public works, together with a new impetus on the monitoring of this policy, will be forthcoming from the Commission by the end of the year. Similarly with transport, a major effort by the Council could see valuable proposals adopted soon in the aviation and road haulage sectors. The Council (Economic and Financial Affairs) has, by contrast, devoted little time to fiscal questions and has not even discussed the Commission's "standstill" proposal, which has been

on its table since November 1985; and those parts of the Adonnino Report on People's Europe particularly highlighted by the Hague European Council (border area passenger traffic restrictions; and right of residence) have seen no progress.

3. The importance to industry and to the peoples of Europe of the programme to create an "area without internal frontiers" by 1992 needs no emphasis. The Intergovernmental Conference, while adopting the Single Act, declared "its firm political will to take before 1 January 1993 the decisions necessary to complete the internal market.. and more particularly the decisions necessary to implement the Commission's programme described in the White Paper on the Internal Market.<sup>1)</sup>

The credibility of this programme has now entered a critical phase. The end of 1986 will be 18 months since the Milan European Council received and welcomed the Commission's White Paper, and the first "Three-Presidency" rolling programme established thereafter will have reached its end. With the Single European Act due to come into force at the beginning of 1987, important new provisions of direct relevance for the internal market will apply. For these to be translated, as they were intended, into more effective and speedier decision-making, the Community needs to be able to show that the programme is on course and the commitment to it, reaffirmed by each successive European Council since Milan, has real meaning. All this is of crucial importance to industry as well. If we can convince industry that we have the will and the means to complete the programme on time, it will be reflected in new attitudes and a new spirit of enterprise in industry. We must not allow industry to lose heart.

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1) Declaration on Article 8A of the Single European Act

4. With these factors in mind the Commission is making a particular effort to ensure that its contribution to the programme is brought substantially up to date by the end of the year. It welcomes the evidence that the Council, and the Presidency in particular, also recognise the importance of going into 1987 with the impetus of the programme restored and maintained in its entirety. This is of vital importance not just for the Community's own institutions, but also for public opinion, for industry and for all those who work in industry.

5. This European Council has a key role to play just as The Hague Council determined the rapid adoption of a major step in liberalising the capital movements. There are on the Council table a significant number of proposals within sight of adoption, and which could be adopted if only the minority of Member States - sometimes a single State only - which still appear to face difficulties were prepared to set the difficulties aside in the interest of the Community as a whole. If the European Council issues and follows up the necessary instructions to the relevant Councils to take the required decisions before the end of the year, the essential credibility of the programme will be re-affirmed.

Without such a renewed impetus during the remaining weeks of the year, the picture will be bleak ; and the incoming Presidency will inherit an unpromising background to the entry into force of the Single European Act. Hence the need for a more urgent momentum.

6. Annex II shows the state of play as of 20 November in terms of White Paper proposals submitted by the Commission, and proposals adopted by the Council measured against the timetable set out in the Annex to the White Paper. It also indicates the further proposals the Commission intends to adopt before the end of the year for transmission to the Council. Annex I lists a package of

proposals on which, in the Commission's view, the Council could take a decision by the end of the year if the necessary instructions were issued by the European Council and respected by the specialist Councils (Internal Market; Transport; Agriculture; Economics and Finance). From these Annexes certain conclusions can be drawn:

- a). If the Commission meets its end-year target and the Council adopts the measures listed in Annex I, the picture would be dramatically improved;
- b). The problems in the agricultural sector are serious, and will not get any easier by delaying action. If the area without internal frontiers is to be achieved by 1992, these very real problems must be addressed more systematically ;
- c). the very important fiscal area will feature more prominently in 1987 than it has hitherto, in the sense that discussion in the Council will be moving from general debate to specific Commission proposals.

An important and encouraging recent development has been the universal recognition by the Community of the importance of the link between work on the internal market, particularly the free movement of people, and the needs of public security and protection against the dangers of terrorism and drugs. The meeting on 20 October of Interior Ministers has given an important impetus to this work which the Commission welcomes.

7. Against this background, the European Council could usefully include in its communiqué :
  - a). an instruction to the relevant Councils to adopt by the end of the year the measures listed in annex I.

LIST OF PROPOSALS IN THE CONTEXT OF THE COMPLETION OF THE INTERNAL  
MARKET ON WHICH COUNCIL SHOULD REACH DECISION BY END 1986

BREAKDOWN BY COUNCILS

1. INTERNAL MARKET COUNCIL

- Easing of controls at intra-Community borders  
(1 Directive)
- Narrow wheeled tractors - agricultural and forestry  
(1 Directive)
- Measures in favour of biotechnology and high technology medicines  
(4 Directives, 1 Recommendation)
- Noise of hydraulic diggers and dozers  
(1 Directive)
- Counterfeit goods  
(1 Regulation)
- Forklift trucks  
(1 Directive)
- Good laboratory practices  
(1 Directive)
- Public procurement : supplies  
(amending Directive)
- Standardisation I.T. and Telecommunications  
(1 Directive)
- Legal protection of micro circuits  
(1 Regulation)
- Right of Residence  
(1 Directive)

2. TRANSPORT COUNCIL

- Air transport fares  
(1 Directive)
- Market access, air transport  
(1 Decision)
- Air transport competition  
(2 Regulations)

.../...

- b). a commitment to take in 1987 fundamental decisions having a major impact on the economic environment specially in the field of the opening up of public contracts, approximation of VAT rates and the completion of the Liberalization of capital movements programme.

Encl.

- Community quotas on carriage of goods by road  
(1 Regulation)

3. ENVIRONMENT COUNCIL

- Pollution by gaseous emissions from motor vehicles  
(1 Directive)
- Gaseous emissions from heavy vehicles  
(1 Directive)
- Emission of particulates from diesel cars  
(1 Directive)

4. AGRICULTURE COUNCIL

- Eradication of African swine fever  
(2 Directives)
- Semen of animals  
(1 Directive)
- Extraction solvents  
(1 Directive)
- Flavourings  
(1 Directive)

5. ECO/FIN COUNCIL

- Accounts of banks  
(1 Directive)
- Arbitration procedure - elimination of double taxation  
(1 Directive)
- Common system of taxation application to parent companies  
and subsidiaries  
(1 Directive)
- Common system of taxation of mergers, divisions and contributions  
of assets  
(1 Directive)

PROGRESS AS AT 20 NOVEMBER 1986 IN IMPLEMENTING THE COMMISSION'S  
WHITE PAPER ON THE COMPLETION OF THE INTERNAL MARKET

COMMISSION

Proposals due to be submitted by the end of 1986	99	
Proposals submitted to the Council to date	42	
Proposals outstanding as at 20.11.1986	<u>57</u>	
Proposals which the Commission intends to approve between now and the end of 1986	34	
Number of Commission proposals likely to be outstanding at the end of 1986	<u>23</u>	TOTAL

COUNCIL

Proposals due to be adopted by the end of 1986	134	
Proposals adopted - in first half of 1985	4	
- in second half of 1985	21	
- in first half of 1986	6	
- in second half of 1986 to date	9	
	<u>40</u>	
Proposals outstanding as at 20.11.1986	<u>94</u>	
Additional proposals capable of adoption by the Council between now and the end of 1986	21	
Number of proposals likely to be awaiting adoption by the Council at the end of 1986	<u>73</u>	TOTAL