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On the basis of the decision taken by the European Council at the meeting in The Hague (1976),¹ the Ministers of Foreign Affairs submitted a report on the 'results achieved and on short-term progress achievable in the various areas of integration in which the common conception of European Union was becoming a practical reality' to the European Council on 5 and 6 December 1977. The report had been adopted by the Ministers of Foreign Affairs at the Council meeting on 22 November 1977.

The Commission also submitted a report pursuant to that decision.

The European Council has agreed to publish these first annual reports, viz.

- the report of the Ministers of Foreign Affairs,
- the Commission report.

¹ Bull. EC 11-1976, point 2501.

Report
by the Ministers of Foreign Affairs
to the European Council
on European Union

When the European Council met in The Hague on 29 and 30 November 1976, it examined the report on European Union submitted to it by Mr Tindemans and the comments by the Ministers of Foreign Affairs; it then invited the latter to report to it once a year on the results obtained and the progress which could be achieved in the short term in the various sectors of the Union.

The same European Council defined a common conception of European Union characterized by a strengthening of the practical solidarity of the nine Member States and their peoples, both *internally* and in their relations with the *outside world*, as is demonstrated by the attraction exercised by the Community. It noted the need gradually to provide the Union with the instruments and *institutions* necessary for its operation. It considered that European Union should make itself felt effectively in the *daily life* of individuals.

The aim of this report is to show the progress which has been made or can be achieved in the short term in the various directions indicated by the European Council.

1. Internal solidarity

The European Council stated that European Union should be built progressively by consolidating and developing what has been achieved within the Community, with the existing Treaties forming a basis for new policies.

There is no need to emphasize that, in a period marked by major economic and social difficulties, when national economies are frequently developing along different lines, the Community is experiencing difficulties in consolidating and developing its achievements.

Nevertheless, progress has been made. By way of example, in this last year the Community has defined the arrangements for VAT own resources which will enter into force on 1 January 1978. It is reviewing the Regional Fund and the operation of the Social Fund (these are precisely the two sectors of activity the importance of which was stressed by the European Council at the Hague). A fresh impetus has been given to the research policy by the decision to build the JET, as this will provide the Community with a remarkable

research facility in the field of controlled thermonuclear fusion. The Community research programme for 1977-80 has been finalized and become operational.

Furthermore, the existing Treaties are effectively forming the basis for the development of common policies. This has been the case in 1977 for fisheries where progress has been made in the establishment of Community arrangements in the 200-mile zone both for Community fishermen and for those from third countries. Likewise, in the face of the gravity of the crisis, the lines of a Community industrial policy are beginning to emerge for the iron and steel industry, textiles and shipbuilding in particular. There has also been progress in the sphere of energy policy.

The European Council did not fail to point out a year ago that the achievement of Economic and Monetary Union was fundamental to the consolidation of Community solidarity and the establishment of European Union. Here, in what is without a doubt the most difficult of goals towards which the construction of Europe is striving, the Council has not been inactive: it has examined a strengthening of the coordination of monetary and budgetary policies and short- and medium-term credit mechanisms. It has also adopted economic policy guidelines in readiness for the preparation of public budgets for 1978 and has drawn up the fourth medium-term economic policy programme. The Commission, for its part, has put forward proposals on loans and investment within the Community and has referred some new considerations on the prospects for Economic and Monetary Union to the European Council.

It is evident from these considerations that, when the European Council comes to examine this report, it will have before it documents from both the Commission and the Council dealing with the main aspects of the internal development of the Communities. These will enable it to acquaint itself with the progress which has been made and possibly to indicate the priorities for directing our future action towards achieving European Union.

2. External solidarity

Member States' solidarity in practical terms towards the outside world is finding expression both in matters covered by the Treaties and in matters outside their scope. Accordingly, the Nine are showing an increasing tendency to speak with one voice on foreign policy.

In matters covered by the Treaties, this is reflected in increasingly frequent representation of the Community as such in international fora dealing with problems coming under the Community's responsibilities.

The Council has decided that, as in the case of the decision of the European Council in Rome (25 and 26 March 1977) on the Downing Street meeting which was held on 7 May 1977, whenever any Western economic summit meetings were held thenceforth, the Presidency and the President of the Commission would be invited to attend any meetings in the course of which matters of immediate concern to the Community were discussed. The same arrangements would apply to preparatory meetings and follow-up meetings.

Moreover, the Community's presence and role in international life are gaining increasing understanding from our partners, including those States which at first refused to have any dealings with the Community. This has been shown this year, 1977, by the fisheries negotiations between the Community and certain East European countries and by initial contacts between the EEC and the CMEA at ministerial level. Moreover, as in the case of Latin America, a dialogue has been entered into with the ASEAN countries too. Lastly, a trade arrangement is being negotiated with the People's Republic of China.

In foreign policy, the practice of political cooperation between the nine Governments often results in their stating a joint or coordinated position in the international arena. The Nine put forward joint positions at the Lagos Conference on apartheid. They have established constant consultation at the General Assembly of the United Nations and in so doing have managed to make themselves an important party to all the debates there.

For the purposes of the Belgrade meeting on security and cooperation, they continued their practice, as successfully introduced at the CSCE, of putting forward joint positions and carrying out close coordination of their statements and whatever steps they took.

They have voiced their joint views on the burning international issues of the day, particularly in the European Council's statement on the Middle East on 29 June 1977.

They have agreed on the need to lay down and follow a firmer, concerted attitude towards South Africa, with the emphasis on practical steps, so as to bring about the discontinuation of the apartheid policy there. They have adopted to that end a code of conduct for their firms operating in South Africa.

By means of a considerable number of joint approaches, the Nine have been able to make known their positions to third country governments.

Regular contact has been kept up with the United States through the approved procedures. Contacts are also maintained with a number of other industrialized countries.

The Euro-Arab dialogue has continued and has made progress in recent months.

Both in Community matters and elsewhere, then, the Member States are gradually acquiring the habit of acting as one and speaking with one voice. In that respect 1977 has been a satisfactory year. This trend is by no means a completed development and must be actively pursued over the years ahead; but, as the European Council in The Hague desired, it is leading step by step to the seeking of a common external policy, which will form a constituent part of European Union.

3. Institutions

In November 1976 the Heads of Government reaffirmed their resolve to develop the authority and efficiency of the Community institutions and of popular participation in them and confirmed the guiding role of the European Council.

The last few months have seen certain steps in this direction.

An internal document adopted in London last June laid down the role of the European Council, together with details of procedure, preparation and decision-making, and the manner in which its conclusions are adopted. These operating rules strengthen the authority and efficiency of the European Council and confirm the coordinating role of the Foreign Ministers in preparing for its meetings.

Similarly, the Foreign Ministers have made it their habit to examine twice in each half year a document ('Marlia') designed to give a picture of work in the various Councils, dealing with individual areas, making for more close-Summit efforts and a better overall view.

The Council has been made more efficient by means of procedural rules adopted at an informal meeting of Foreign Ministers at Leeds Castle in May, which result in a greater role for the Presidency in drawing up the agenda, strengthening of the role of the Permanent Representatives Committee and streamlining the decision-making process by restricting the numbers attending Council meetings.

The Ministers have become accustomed to dealing with political cooperation problems at Council meetings if there are urgent issues at stake. This relaxation of the traditional distinction between Council meetings and ministerial political cooperation meetings, subject to compliance with the procedures obtaining, clearly makes for greater efficiency in the decision-making process. Similarly, there has been a slight increase in majority voting in the Council.

The attachment of the peoples to the European institutions will be considerably increased through the direct election of the European Parliament by universal suffrage. The majority of the States have made the requisite arrangements for the entry into force of the Act of 20 September 1976 and smooth the way for the holding of these elections in the spring of 1978. The European Council will have to take appropriate stock of the situation.

The strengthening of the European institutional machinery will have to be continued in the future, taking account principally of the foreseeable consequences of an enlargement of the Commu-

nities. The Ministers of Foreign Affairs and the Commission have already held informal exchanges of views on this subject.

4. Europe for its citizens

The Heads of Government considered that European Union should actually find expression in individuals' daily lives by contributing to the protection of their rights and improving their way of life.

The joint declaration made last April by the European institutions (Council, Commission and Parliament) on the protection of fundamental rights should be viewed as contributing to this aim. It reiterated in the most solemn manner the importance which the institutions attach to the protection of Human Rights.

The draft declaration on democracy within the Community, on which the forthcoming European Council might be required to state its opinion, follows the same line of thought, since it concerns the protection of the exercise of peoples' political rights.

The physical protection of persons is also the subject of cooperation within the Nine.

The idea of a European Foundation was taken up again in March 1977 by the European Council in Rome, in the context of the celebration of the 20th anniversary of the Treaty. The Commission was instructed to report on the nature, features and financing of such a foundation. This report will be submitted to the next European Council.

Other measures will have to be taken in the future to make individuals more aware of the reality of the European edifice in their daily lives. Active consideration is being given to the spheres of, for example, education and vocational training, protection of the environment, the movement of persons and consumer interests. They often meet with obstacles the magnitude of which must not be underestimated, but which are nevertheless marginal in terms of the general aim being pursued. It would be worthwhile for the European Council to reaffirm the importance it attaches to having a 'Europe for its citizens' and to ask that the examination of the various aspects thereof be speeded up.

Conclusion

As the Heads of Government have said on several occasions, the construction of a European Union is a gradual and long-term process. Since it was first mentioned at the close of the Conference of Heads of Government in Paris in 1972, the concept of European Union has become clearer and progress in that direction has been made, particularly as a result of the report submitted to the European Council by Mr Tindemans. However, little progress can be achieved in one year and the positive factors listed in this report must not lead us to forget that on certain fundamental points the construction of Europe is not progressing to the desired extent. This is why the preparation of an annual report, as required by the European Council held in The Hague, is a useful exercise. It allows us to take stock, to underscore the continuity of progress in the construction of Europe and to view it in a long-term perspective.

The Council is gratified that there should be such a report, which it considers to be one of the ways of following the progress to be achieved, stage by stage, towards the realization of a European Union.

Commission report on European Union

COM (77) 623 final, 23 November 1977

1. A year ago at The Hague, the European Council asked the Commission to report once a year on results obtained and possible progress in the short term in the different areas of European Union.

2. In the two years since the Tindemans Report, progress has been slight. The Member States have been confronted above all with the economic crisis. In the absence of the necessary common policies, there has been no real response at Community level. Without a sense of solidarity Member States have concentrated their energies on purely autonomous measures. By taking this course, given the magnitude of the crisis, they have been unable to benefit from the opportunities which only Community action could have offered. But there is a less gloomy side. The essential part of what has already been achieved, namely freedom of trade between Member States and to a considerable extent with the rest of the world, has been maintained.

3. In the light of the experience of the last few years, the Commission is proposing that the plan for economic and monetary union should be re-defined and relaunched. By means of this economic and political act the Community will be better able to overcome what has been up to now its main weakness: its inability to overcome inflation and unemployment.

4. We now face the challenge of a second enlargement. We have to take care that enlargement leads to development and not dilution. This means remaining faithful to our political purpose by developing common policies, strengthening the institutions, and improving political cooperation.

5. The direct election of the European Parliament will be an event of fundamental importance. The direct involvement of the peoples of Europe with the Community should arouse a feeling of responsibility and give a new political impetus to the common venture.

6. It is against this background that the Commission presents its report on the union for 1977.

The European economy

7. Inflation and unemployment are at the heart of the preoccupation of all Member States. The Community however has not yet responded fully to the economic crisis in which 6 1/2 million men and women are unemployed. The European citizen has yet to see the Community supply concrete solutions to his most pressing problems. Yet it is the Community which offers the framework for attacking most of the structural causes of the trouble.

8. Faced with these same troubles, the Member States have recently brought their views on the required solutions more closely together; in this way the Council has agreed on an overall strategy covering a coordinated and controlled policy for encouraging demand. Moreover, the Commission has in 1977 made important new proposals for regional policy, the financing of structural investments, and measures to help youth unemployment.

9. But the results are as yet insufficient and we must pursue and consolidate our efforts. We have for example to improve procedures for coordinating economic policies, to develop the necessary common instruments and financial means for correcting economic imbalance in the Community, to reinforce monetary solidarity and particularly to put the currency snake back into a Community framework as Mr Tindemans proposed. The Commission has taken—or supported—a number of initiatives in this sense. It awaits positive decisions by the Council on the proposals which are still outstanding.

10. The Commission believes in particular that the objective of economic and monetary union needs now to be pursued afresh, since the right approach to this would indeed enable the Community to make a decisive contribution towards achieving the common goals of stability and growth. It would also strengthen the Community's cohesion in the face of the challenge of enlargement.

11. The right approach must combine two essential and complementary elements: first, and in the short term, intensifying the coordination of

Member States' economic policies, pursuing the integration of the market and applying common policies and instruments designed to remedy structural and regional problems; second, and in the longer term, deciding to speed up the integration process and looking at ways of transferring significant economic and monetary powers to the Community.

12. From this flows the course to be followed:
- the objective must be reaffirmed, thus clearing the way ahead for joint action;
 - the Member States must give practical proof of their determination by undertaking to prepare the ground over the coming period for the qualitative jump which will subsequently set the seal on union.

Europe and the world

13. In external relations there has been some progress. The Community is being considered more and more as a single unit. It was able to meet these outside expectations by playing an active role in the conferences which have been set up either between the industrialized countries (the economic summit in London, the East-West meeting in Belgrade) or between the industrialized countries and developing countries (the North-South Conference and UNCTAD). Its bilateral economic relations all over the world gain in importance as a political instrument.

14. The Community has pushed forward the multilateral trade negotiations with its international partners to ward off the serious threat of protectionism. We must develop the multilateral economic system to make it genuinely world wide and cover all areas of external economic policy. If we fail, we stand to lose access, as the world's largest trading power, to our external markets and raw materials and energy supplies.

15. But it will only be possible to safeguard an external environment compatible with prosperity and full employment in the Community if we are prepared to change the structures of our own economy. We have to pursue a policy of reform aimed at achieving a new coherence between our

internal economy and that of the outside world, taking special account of the interests of the developing countries. By stimulating their economies, the Community can only benefit from the resulting increase in their purchasing power.

Europe and the citizen

16. At present most Europeans think of the Community as something theoretical and far away. Substantial efforts are needed to bring it home to the public. One way of doing this is through Mr Tindemans' idea of a European Foundation which we support. But the Community will be judged first and foremost on its ability to remedy the effects of the crisis and set the foundations of an economic and social Europe meeting in the aspirations of ordinary people.

17. Emphasis has rightly been placed on the protection of fundamental rights as reasserted in the recent solemn declaration by the Community institutions. The declaration the European Council will be making on democracy is designed to reinforce this fundamental commitment.

18. We also need to emphasize ways in which the work of the Community can be seen to be relevant in everyday life. To this end measures have been introduced on the environment, consumer protection and international exchanges of young people.

19. Nuclear energy is of particular importance in this respect. In view of legitimate public anxieties, the Commission is arranging a series of public hearings to promote a better understanding on all sides of the essential issues involved.

20. There has been a sad lack of progress in removing checks at the internal frontiers of the Community. Their removal would constitute practical evidence of European unity in the eyes of ordinary people. Such an achievement will require significant progress with tax harmonization.

The European institutions

21. As was noted in Mr Tindemans's Report, the institutions of the Community need strengthening in order to achieve the union. In this respect elections to the European Parliament are a major event. We must spare no effort to make them a success. The Commission's programme for next year will be drawn up with this in mind.

22. We need also to improve the day-to-day operation of the institutions. The European Parliament is already making fuller use of its powers. The Council on the other hand should tighten up its own working methods. The Commission proposes to make full use of its powers of initiative. It could make an even greater contribution to the effectiveness of the institutional system if, as Mr Tindemans proposed, the Council were to grant to it greater executive and administrative powers. We recommend this in a separate report.

European Communities — Commission

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