

COMMISSION OF THE EUROPEAN COMMUNITIES

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EUROPEAN UNION – ANNUAL REPORT BY THE COMMISSION, 1984

(Communication from the Commission to the
European Council, 3 and 4 December 1984)

COMMISSION OF THE EUROPEAN COMMUNITIES

CORRIGENDUM

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APPLIES TO THE EN/ VERSION

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I. INTRODUCTION

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2. The nature of this report should be clearly understood. The move to European Union would require changes of a constitutional nature since they touch on the way the institutions work and the extension of the possible areas of competence. This was manifest in the Commission's 1975 report on European Union. It is also a basic premise of the draft Treaty of Union adopted by Parliament in February of this year. However, to aspire to such a qualitative change and to work for it does not diminish in any way the importance of the consolidation and development of the existing Community. Such effort may indeed prepare the ground for the creation of a European Union.

Europe without frontiers

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31. Council's inability to launch a transport policy despite the Treaty requirement had led Parliament to take Council to Court. The Court will rule in January. In the meantime a first political decision has been reached on a transport policy which should be confirmed by the end of the year. For the first time appropriations have been entered into the budget to finance certain road investments relevant to the free operation of the common market.

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3. The work of consolidation and development of the last twelve months has been greater than in previous years. A number of important decisions have been reached and initiatives taken. In particular, the decisions on reform of the agricultural policy and the budget package of Fontainebleau can allow the Community to make a break with a querulous past.
4. The Commission wishes to make its views on what has been achieved quite plain. Reforms have been started but these will have to be consolidated, as is the case with agriculture, or reviewed in the near future, as is the case with the budget package. This year's

decisions can provide us with a breathing space which can be used to carry out more fundamental reforms leading to the creation of a European Union. These decisions can also allow another few years of prevarication.

5. This report will comment on new initiatives for a European Union, the budget decisions and the consolidation and development of the existing Community in 1984.

II. FOR A EUROPEAN UNION

6. A major event in 1984 was the adoption by Parliament in February of the draft text of a Treaty establishing a European Union. This text was the legal "translation" of the political language of the resolution approved the previous September. It was approved by a massive majority of 237 votes for , with 31 against and 43 abstentions. Not the least remarkable fact was that a majority of MEPs from each country except Denmark approved the text.
7. The draft Treaty has been submitted to national authorities with a view to their instituting a procedure for approval in accordance with their respective constitutional rules. The President in office of the European Council, Mr François Mitterrand, suggested in his speech to the European Parliament on 24 May 1984, that "preparatory talks be started which would lead to a conference of interested Member States; the draft for a European Union and the solemn declaration of Stuttgart would provide the base for such work".
8. A few weeks later, at Fontainebleau, the European Council decided the creation of an ad-hoc committee composed of the personal representatives of the heads of state and government. The Committee, chaired by Mr Dooge, is asked to make suggestions on the improvement of the functioning of European cooperation, in the Community area, that of Political Cooperation or others. A report of the Committee has been presented to this session of the European

Council meeting in Dublin. The Commission hopes that the European Council will show its intention to make the qualitative move towards European Union by instructing the Committee to pursue its work with a view to suggesting concrete steps in that direction.

9. A second committee "Europe of the citizen" was set up in Fontainebleau. As the communiqué stated "the European Council considers that it is indispensable that the Community meets the expectations of the peoples of Europe in adopting measures designed to strengthen and promote its identity and image amongst its citizens and in the world".
10. It is not always easy for the individual citizen to see effects of the action of the Community. In part, this is because so much that has been achieved over the last thirty years is taken for granted. What obviously remains to be done is attributed to the failings of the Community. Moreover, the fact that most information on the Community has a distinct national bias, means that it is particularly difficult to find objective information on the reasons for these failings. The citizen's view of the Community may be starting to suffer. This should be a reason for serious alarm.
11. A warning was given in the second direct election of the European Parliament which took place in June where the average participation rate stood two points lower than in 1979. The message of the elector was that he won't be keen to vote a third time unless it is possible to show him that the Community and Parliament are relevant to his daily life. Nonetheless, given the paucity of means available to Parliament to publicise its work and its limited range of powers, it is still a considerable achievement to have brought three out of every five European citizens to the polling booth. Now more than ever, concrete moves towards European Union which have a direct impact on the lives of our citizens are needed.

III. THE SCOPE OF THE BUDGET DECISIONS

12. The most important measures agreed in 1984 concern the budget. The budget package can usefully be examined in the light of the implications of European Union. Its scope is then apparent.
13. The Community needs an expanding policy base if the momentum of integration is to be maintained and the critical mass of activity reached which would make European Union possible. The existing set of policies is insufficient and because of the heavy expenditure needed to finance one of them - agriculture - is imbalanced as far as its budgetary impact is concerned. However, financing a common agricultural policy at European level makes sense. Today's Community policy is cheaper for consumer and tax-payer than would be separate national policies financed at national level. The imbalance is therefore not to be overcome by simply limiting agricultural expenditure at European level but by transferring those expenditures from national to European level which are relevant to European Union. Of course it must be pointed out that not all new policies have implications for the budget.
14. In the course of the debate on own resources, the Commission had originally proposed that the right to decide the maximum VAT call-up rate be transferred from national to Community institutions. This would have provided the Community with an autonomous revenue-raising capacity. The ceiling would be changed each time by Council acting unanimously and Parliament with a special majority. This change was refused by Member States as was the Commission's later proposal of 2 % for a new ceiling. In the end the European Council conceded 1,4 %.
15. Today it is already apparent that the expenditure needed to meet existing legislative requirements together with the impact of enlargement and the workings of the compensation mechanism mean

that the Community will find itself near to the new upper limit soon after its entry into force. There is thus no margin left for the development of Community policies. It is difficult to reconcile this state of affairs with the commitment of Member States to European Union.

16. In making these observations the Commission is not suggesting that European Union means increasing the burden on the taxpayer. The point is that transfer of competences to Community and later Union level must lead to transfer of some expenditure. Such expenditure in a number of areas may well be lower than it would be if individual Member States pursued separate national policies. European Union should mean reducing the tax burden.
17. At Fontainebleau agreement was finally reached on a mechanism designed to deal with the conflict which had lasted several years concerning the UK budget contribution. Whilst accepting the need for a correction in this specific case, the Commission believes that in the context of European Union and an increased budget a more generalised approach to the distribution of budget burdens would be necessary. Nonetheless, it must be recognised that the agreement has put a temporary end to divisions which paralysed the Community.
18. The agreement on financial discipline may also be analysed for its relevance to European Union. The Commission like any responsible public authority is concerned that the tax-payers' money be spent effectively and efficiently. The Council has committed itself to tightening procedures on budget discipline. The Commission regrets that its proposals in this matter have not been followed. Both arms of the budgetary authority, Council and Parliament, should be involved in fixing spending limits. Council in choosing to decide such limits on its own is risking opening up an unnecessary institutional battle. The climate of

conflict will not be conducive to budget discipline. In forgetting that co-decision means co-responsibility, Council will weaken the discipline it seeks to promote.

19. Delays in reaching a decision on new own resources mean that in 1984 and 1985 supplementary budgets will have to be financed outside the standard Community budgetary procedure. A part of the budget will be financed de facto by decision of the Member States alone. Such decisions should constitute exceptions and not pave the way for further intergovernmentalisation of Community operations.
20. Thus, whereas each element of the budget package may be justified on its own merits as an ad hoc measure, the whole is unsatisfactory and, at best, provides time for reflection. These were not the budgetary decisions of a potential European Union. Evidence of a desire to make progress towards European Union was found elsewhere - in the work of Parliament and the creation of the Dooge Committee.

IV. CONSOLIDATION AND DEVELOPMENT OF EXISTING POLICIES

21. It is fortunate that a number of agreements have indeed been reached this year which do have a direct impact on the citizen and his rights. More generally, a number of proposals which had been in the pipeline and had been blocked for one reason or another, became ripe for decision. Reforms were initiated and new programmes launched. As with the budget decisions, they attest to a breakthrough but are not sufficient to allow for the qualitative jump towards European Union.

Reform of the Common Agricultural Policy

22. The objectives of the Common Agricultural Policy had been reached satisfactorily but this had led to a growth in output which exceeded demand for a number of products. Reform had started with the imposition of guarantee thresholds which represent the production level at which the guarantee is or would be limited. This year a particularly strict system for the dairy sector has been agreed with the introduction of a quota system. The price - round decisions for the 1984-5 campaign were more consistent with market realities than they had been in previous years. The Commission is convinced that such realism is essential for the maintenance of the CAP and development of European agriculture.

The Structural Funds

23. The Regional Fund is of particular relevance to European Union as both an expression of solidarity and as an instrument to promote economic convergence. In June, the Council adopted a new regulation reforming the Fund. After its implementation in 1985 the effectiveness of the regional policy should be considerably reinforced, particularly as regards its "communautaire" aspects.
24. The Social Fund had already been reformed in 1983. The third structural fund - Agricultural Guidance - is currently being reviewed. The Commission is concerned that the action of the three funds be more coordinated than in the past. This can be done by combining action in the framework of the specific vocation of each fund in an integrated programme. Different integrated programmes are being developed. In Fontainebleau the political decision was taken to launch the integrated mediterranean programmes. They concern the rural areas of the mediterranean region and in particular those likely to be affected by the third enlargement.

Economic Convergence

25. The European Monetary System entered its sixth year and has continued to play its rôle as the framework for the convergence of monetary and economic policies. The EMS operated in a very stable environment and no changes in parity were necessary. The composition of the ECU was modified in September with the inclusion of the Drachma and a general revision of the weights of all participating currencies. The Commission has transmitted communications to the Council concerning the lessons to be drawn from the operation of the EMS proposing a series of improvements in its mechanisms, the balance of payments support instruments and the role of the ECU in the relaunch of the process of financial integration in the Community.
26. During this time the Commission has developed its own participation in the private ECU market so as to support and encourage the spontaneous development which today is the most promising sign of the trend to the affirmation of a European monetary identity.
27. The EMS was a powerful motor of convergence of economic policies. In the Commission's latest report on the economic situation it was noted that the take-off in economic growth was quite satisfactory. Nonetheless, the Commission was obliged to remind governments that without a change of policy, no reversal of trends in the labour market - there are now almost 13 million unemployed - could be expected in the next few years.

Internal Market

28. Progress has been made in developing procedures for the elimination of technical barriers to the free movement of goods. In particular this has been shown in the commitment for a common customs document and the development of a capacity for deciding

norms at European level. Another important step forward was made in October with the adoption of the Commission's proposals on public markets for telecommunications equipment.

Research and Development of new technologies

29. In February, after many hesitations, mostly budgetary in origin, Council approved the Esprit programme. This showed the readiness of the Community to commit itself to the development of the new technologies. The approach adopted for Esprit should now be applied for other programmes. A first decision on a telecommunications programme was taken in October. The Commission hopes that a decision on the four-year research and development programme will be fully implemented before the end of the year. The content of the programme has already been approved by Council.

Europe without frontiers

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V. ENLARGEMENT

32. The negotiations on the enlargement of the Community continued in 1984. The Fontainebleau agreement on own resources reopened the way to a successful conclusion of the negotiations. At the end of October the Community, Spain and Portugal officially noted the irreversible nature of the enlargement planned for 1st January 1986. The difficulties still to be overcome, however, are considerable.

VI. EUROPE IN THE WORLD

33. Whereas the internal development of the Community and its enlargement have hit notable obstacles, its reputation and prestige round the world continued to grow. The traditional guidelines have been upheld and in particular the Community acted in defence of an open world trade system and stood up to protectionist pressures better than most.
34. Despite divergences of interest with our major industrial partners, in particular the United States and Japan, we have been able to develop and enrich our relations without any major conflicts.
35. Relations with Efta have been strengthened. The objective is the creation of a European "industrial zone" and an important step in that direction was taken at a ministerial meeting in April.
36. The negotiations for a third Lomé Convention have been brought to a successful conclusion. The new Convention reaffirms the Community's commitment towards the states of sub-Saharan Africa - Angola and Mozambique will join the signatories of the present Convention - the Caribbean and the Pacific.

37. The Community has paid particular attention to our relations with Latin America. Efforts were crowned with the recent ministerial meeting in San José, Costa Rica, with the commitment of Member States to increase aid in favour of Central America.