



PRESS OFFICE
OF THE COMMISSION
OF THE EUROPEAN COMMUNITIES

NOVEMBER 1985

EUROPEAN COUNCIL
2-3 DECEMBER 1985
LUXEMBOURG

THE INTERGOVERNMENTAL CONFERENCE:
THE BACKGROUND AND THE ISSUES

CONTENTS

	<u>Page</u>
. Milestones on the road to the Intergovernmental Conference	2
. A preliminary question: one treaty or two?	6
. GETTING UNDER WAY	6
. Address by Jacques Delors, President of the Commission, to the inaugural meeting of the Intergovernmental Conference.....	7
I. REVISION OF THE TREATY	
The Commission's proposals	8
1. Completion of the internal market	9
2. Technological research and development	11
3. Increasing the cohesion of the Community	14
4. The Community's 'monetary capacity'	15
5. New frontiers: Culture and the environment	17
6. Strengthening the powers of the European Parliament	18
7. Decision-making within the Council	20
8. Management powers of the Commission	22
II. POLITICAL COOPERATION	23

THE MOMENT OF TRUTH

Since 9 September a Conference of Representatives of the Governments of the Member States of the European Communities - the "ten" plus Spain and Portugal who are to join shortly - has been considering ways of advancing along the road to European Union, via economic and social integration and political cooperation.

WHY HOLD A CONFERENCE?

WHAT IS INVOLVED?

WHAT NEW OBJECTIVES SHOULD BE SET?

WHAT'S TO BE DONE TO ACHIEVE THEM?

The "Twelve"

Spain and Portugal, who will become members of the European Communities on 1 January 1986, are represented at the Conference side by side with the ten existing members: the original "Six" - Belgium, France, Germany, Italy, Luxembourg and the Netherlands - plus Denmark, Greece, Ireland and the United Kingdom, who joined later.

The comparative slowness of the integration process, and the apparent complexity of discussions involving four institutions - Parliament, the Council, the Commission and the Court of Justice - and what will soon be twelve Member States, mean that the general public is barely aware of what is after all an exceptional event: the first intergovernmental conference since the Treaty of Rome was signed in 1957.

The Conference is a moment of truth coming as it does at a time when the European ideal needs to stand its ground, at a time when national pride and political concerns are generating differing views of how Europe should develop and what it should become.

It is a moment of truth, because the Treaty of Rome can no longer provide solutions to the most pressing problems of the day: it needs to be updated, expanded and revitalized in line with an effective, democratic strategy.

The Conference offers a unique opportunity of setting new objectives for the Community. The Commission and a number of governments have already made proposals to this end or plan to do so shortly.

The purpose of this information file is to put the Conference in perspective and describe the main lines of action proposed by the Commission headed by Jacques Delors.

MILESTONES ON THE ROAD
TO THE INTERGOVERNMENTAL CONFERENCE

- 14 February 1984 The European Parliament adopts the Draft Treaty establishing the European Union, the brainchild of Altiero Spinelli, by 237 votes to 31 with 43 abstentions.
- 26 June 1984 The Fontainebleau European Council, chaired by François Mitterand, decides to set up an ad hoc Committee on Institutional Affairs, made up of the personal representatives of the Heads of State or Government and a representative of the President of the Commission. The Committee's remit is "to make suggestions for the improvement of the operation of European cooperation in both the Community field and that of political, or any other, cooperation".
- PARLIAMENT'S DRAFT TREATY

The 87-article text describes the legal framework for transition to European Union. In particular it details the bases and methods of action, fields of responsibility, future institutions and the various common policies to be implemented.
- 19 March 1985 The ad hoc Committee, chaired by James Dooge, submits its final report, proposing Community action in a number of fields and, in particular, the convening of an intergovernmental conference "to negotiate a draft European Union Treaty".
- AND FRANCOIS MITTERAND'S SPEECH
TO PARLIAMENT IN MAY 1984

Addressing the European Parliament in Strasbourg in May 1984, François Mitterand states that France approves the project and is available for such an enterprise.
- 8/9 June 1985 The terms of reference for a conference are discussed at an informal meeting of Foreign Ministers in Stresa on the basis of a draft from the Italian Presidency. Other Member States also make proposals.
- 28/29 June 1985 At the Milan European Council, chaired by the Italian Prime Minister, Bettino Craxi, the Community Heads of State or Government decide to convene an intergovernmental conference to work out
- a treaty on a common foreign and security policy;
 - amendments to the EEC Treaty (institutional changes and extension of the Treaty to new spheres of activity).
- with a view to achieving concrete progress on European Union.

CONCLUSIONS OF THE MILAN EUROPEAN COUNCIL ON INSTITUTIONAL AFFAIRS

The European Council held a wide-ranging discussion on the proposals of the ad hoc Committee for Institutional Affairs set up at Fontainebleau, and the draft mandate of the Italian Presidency and in particular on the improvement of the Council's decision-making procedure, the enlargement of the European Parliament's role, the Commission's administrative powers and the strengthening of political cooperation in the general context of the transition to European union.

It confirmed the need to improve the operation of the Community in order to give concrete form to the objectives it has set itself, in particular as regards the completion of the internal market by 1992 and measures to promote a technological Europe.

The European Council noted that the President of the Council would submit proposals for the improvement of the Council's decision-making procedure, the exercise of the Commission's administrative powers and the Parliament's powers with a view to their early adoption.

The European Council discussed in detail the convening of a conference to work out the following with a view to achieving concrete progress on European union:

- a treaty on a common foreign and security policy on the basis of the Franco-German and United Kingdom drafts;
- the amendments to the EEC Treaty in accordance with Article 236 of that Treaty, required for the implementation of the institutional changes concerning the Council's decision-making procedure, the Commission's executive power and the powers of the European Parliament and the extension to new spheres of activity in accordance with the proposals of the Dooge Committee and the Adornino Committee, as set out elsewhere, and taking into account certain aspects of the Commission proposal concerning the freedom of movement of persons.

The President noted that the required majority as laid down in Article 236 of the Treaty had been obtained for the convening of such a Conference. The Portuguese and Spanish Governments would be invited to take part in that Conference. The Belgian, German, French, Irish, Italian, Luxembourg and Netherlands delegations were in favour of holding that Conference.

The Presidency would consequently take the steps necessary to convene that Conference with a view to submitting the results for a decision by the Heads of State or Government at the European Council meeting in Luxembourg.

So, thirty years after the Venice meeting which sparked off the intergovernmental conference which produced the Treaties of Rome, Italy was once again the scene of a decision to hold such a conference.

There is no doubt that the current conference is more limited in scope. But the issues at stake are as great, if not greater.

THE ORIGINS OF THE TREATIES OF ROME AND THE FIRST
INTERGOVERNMENTAL CONFERENCE

The failure of the European Defence Community and the European Political Community in April 1954 led to renewed efforts to achieve European unification through economic integration. The resolution adopted by the Foreign Ministers of the six ECSC Member States* in Messina on 1 and 2 June 1955 launched this new venture.

Following the Messina Conference, an intergovernmental committee was set up under the chairmanship of the Belgian Foreign Minister, Paul-Henri Spaak, to prepare a report on the prospects for a general economic union and union in the nuclear field.

At a conference in Venice on 29 and 30 May 1956, the Foreign Ministers of the Six accepted the report of the Spaak Committee as a basis for negotiations on treaties setting up a general common market and establishing a European nuclear energy organization and decided to hold an intergovernmental conference for this purpose. The Intergovernmental Conference, also chaired by Paul-Henri Spaak, held its first meeting in Brussels on 26 June 1956.

Although the Spaak Report and the Messina and Venice Conferences had set objectives and guidelines, they had failed to specify how these were to be achieved politically.

This, and the differing positions of the delegations meant that the Conference sometimes ran into difficulties. To cope with the enormously complex issues involved, a mechanism was devised to keep up the momentum, thanks mainly to the Foreign Ministers, who met on a number of occasions to keep the negotiations moving.

On 19 and 20 February 1957, the Heads of Government reached agreement on the remaining outstanding issues, clearing the way for signature of the EEC and Euratom Treaties in Rome on 25 March of that year.

*Belgium, France, Germany, Italy, Luxembourg and the Netherlands

TODAY THERE ARE

T
W
E
L
V
E

C
O
U
N
T
R
I
E
S,

NOT JUST SIX, LAYING THE
FOUNDATIONS FOR REAL
EUROPEAN UNION.

We need to set the
European venture in
context again and lay
the political and
institutional bases for
a new dynamism.

Once the decision had been taken, the Intergovernmental Conference was convened according to the procedure laid down in Article 236 of the EEC Treaty:

- on 2 July the Council Presidency (Luxembourg) submitted a proposal for revision of the Treaty;
- on 22 July the European Parliament and the Commission issued favourable opinions on the proposal;
- on the same day the Council issued an opinion in favour of an inter-governmental conference to discuss the objectives set at Milan;
- the Presidency convened the conference for 9 September.

Article 236 of the EEC Treaty

The Government of any Member State or the Commission may submit to the Council proposals for the amendment of this Treaty.

If the Council, after consulting the Assembly and, where appropriate, the Commission, delivers an opinion in favour of calling a conference of representatives of the Governments of the Member States, the conference shall be convened by the President of the Council for the purpose of determining by common accord the amendments to be made to this Treaty.

The amendments shall enter into force after being ratified by all the Member States in accordance with their respective constitutional requirements.

Text adopted by the Ministers on 22 July 1985

The President of the Council, in accordance with Article 236(2) convenes a Conference of Representatives of the Governments of the Member States to examine the proposal submitted by the Luxembourg Government on 5 July 1985. This Conference, which will take place at Minister for Foreign Affairs level, together with a Commission representative, will meet in Luxembourg on 9 September. Spain and Portugal will be represented at this Conference.

The Secretary-General will make the necessary arrangements to provide the secretariat for the Conference.

The Ministers for Foreign Affairs instruct a Working Party to prepare its proceedings concerning the revision of the Treaty. Each Member State will appoint its representative to the Working Party. The Chairman will be designated by the President of the Conference.

The Ministers for Foreign Affairs instruct the Political Committee to draw up by 14 October 1985 the text of a draft treaty on the basis in particular of the Franco-German and United Kingdom drafts concerning political cooperation with a view to a common foreign and security policy.

This draft will be considered by the Ministers for Foreign Affairs meeting for the purpose within the Conference convened under 2 above.

The Ministers will submit their conclusions on all these points to the European Council meeting in December 1985.

A PRELIMINARY QUESTION

The Intergovernmental Conference has a dual remit:

- to revise the Treaty of Rome;
- to draw up a treaty on a common foreign and security policy.

"Even though the differences on aims and substance are more than minor, it is hard to see how this European Union can be achieved until such time as it can function on the basis of unified institutions. That's not possible today, but we must ensure that it will be tomorrow." (Jacques Delors)

Thus the paramount question is what approach to take: should the aim be to conclude two separate Treaties or to opt instead for a single legal instrument to encompass both the economic and political spheres?

Since the first day of the Intergovernmental Conference the Commission has firmly opposed the two-treaty approach for one obvious reason: if there were separate institutions, each operating in its own area with powers which could be narrowly circumscribed, there is a danger that the outcome would be confrontation.

The adoption of a single framework preserving the dichotomy between areas of activity and legal systems would eliminate this danger and present two major advantages:

- it would facilitate transition towards our osmosis between economic, social and monetary policy on the one hand and foreign policy on the other;
- it would provide concrete evidence of the will to move towards European Union for the people of the Community and public opinion in the rest of the world.

GETTING UNDER WAY

The first meeting of the Intergovernmental Conference was held in Luxembourg on 9 September. It was attended by the Foreign Ministers of the Ten and their colleagues from the two prospective Member States, Portugal and Spain. The Commission was represented by Jacques Delors and Carlo Ripa di Meana.

From the chair Jacques Poos, Foreign Minister of Luxembourg, noted that the three delegations which had expressed reservations in Milan about the need for the conference and its purpose were willing to participate fully and constructively in its work.*

Early agreement was reached on procedures, including ways of involving Parliament. Discussions focused principally on guidelines for future work on the basis of a note from the Presidency and an opening statement by Jacques Delors.

*Denmark, Greece and the United Kingdom.

Involvement of Parliament

Delegates to the Intergovernmental Conference expressed their willingness to take account in their discussions of the draft Treaty on European Union drawn up by Parliament and to keep Parliament informed of progress. It was agreed that an "information meeting" between the Presidency and a Parliament delegation would be held after each meeting of the Conference or its Committees.

Objectives

"The objective", said Jacques Delors, "is to create the conditions for the achievement of a pertinent and efficient economic entity. There are four essential prerequisites here, forming a coherent, interdependent whole:

- the creation of a large internal market;
- a command of technology;
- economic and social cohesion;
- a certain monetary capacity."

Competence

Jacques Delors called on the Conference to make a clear distinction between exclusive, concurrent and potential competence.

EXCLUSIVE, CONCURRENT AND POTENTIAL COMPETENCE

The Treaty specifies the areas in which the Community exercises - or may exercise - competence.

A distinction can be drawn between:

- Areas of exclusive competence, which are those where the Community alone has the right to enact legislation. Except where the Community institutions expressly decide otherwise, the Member States may not legislate in these areas.

An example of exclusive competence under the Treaty of Rome: all matters relating to customs duties.

- Areas of concurrent competence, which are those where both the Community and the Member States have the right to legislate. As long as the Community does not exercise its powers the Member States retain the right to legislate; and where the Community exercises its competence, national competence is limited accordingly and any relevant national legislation is replaced by Community legislation.

An example of concurrent competence under the Treaty of Rome: the right to legislate in the field of agricultural guidance.

- Areas of potential competence, which are those where the Treaty acknowledges the Community's right to legislate (with concurrent competence), but where the Community is not effectively endowed with the powers in question until after a unanimous decision by the Council. Areas of potential competence are those in which Community action may be necessary at a later stage of European integration.

An example of potential competence under the Treaty of Rome: the possibility of a common policy on sea and air transport under Article 84.

Procedures

Procedures must be reformed to enhance the prerogatives of Parliament and to improve Community decision-making.

Jacques Delors attacked the "dead weight" of the unanimity rule, which is paralyzing decision-making. "We must cut the Gordian knot, break with the present practice of systematically seeking unanimity and shift to qualified majority voting in clearly defined cases."

This shift towards more systematic use of qualified majority voting must be accompanied by improvements to decision-making within the Council and by an extension of the Commission's management powers.

A vital issue: positive differentiation

It was vital, argued Jacques Delors, that the "negative differentiation" envisaged in the Dooge Report - whereby, following a qualified majority decision, a Member State could secure a transitional period of two or three years to allow it time to adapt or alternatively an exemption, perhaps in the form of a safeguard clause - should be matched by "positive differentiation". This he defined as the possibility of four, five or six Member States going further or faster than the others within the framework of a policy defined by the Twelve.

Positive differentiation was essential to allow Member States - perhaps in conjunction with non-member countries - to forge ahead together if they so wished in a specific area, within the framework of a policy defined by all the Member States.

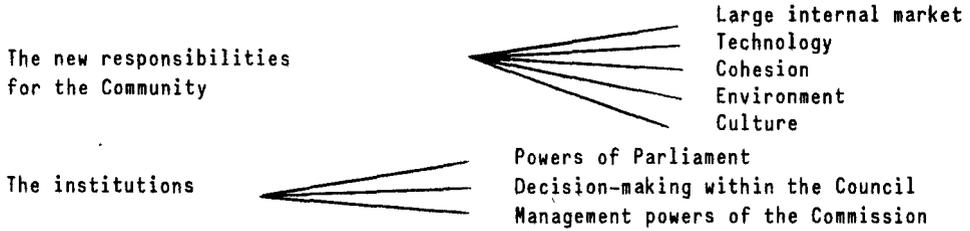
An example of positive differentiation? Not waiting for all the Member States to become helicopter manufacturers before defining a European policy on helicopters! It is no good holding up the procession for the slowcoaches!

In the light of the dual remit given to the Conference, two separate committees were set up to prepare the ground:

- The Preparatory Committee is responsible for the revision of the Treaty. It is commonly known as the "Dondelinger Group", after its Chairman.
- The Political Committee is responsible for drafting a text on Political Cooperation.

I. REVISION OF THE TREATY

The Dondelinger Group took as its starting point the proposals put forward by the Commission on:



The Commission's proposals on the large internal market, technology and cohesion cover three of the four areas which it regards as vital for the achievement of economic and social integration within the Community.

"A certain monetary capacity" - the fourth pillar on which an efficient economic entity is to be built - would involve no new powers. Rather, revision of the Treaty would confirm the Community's existing competence in the monetary field and provide for the possibility of future extension. This is the thrust of the proposal put to the Preparatory Committee by Jacques Delors.

1. COMPLETION OF THE INTERNAL MARKET

In June 1985 the Milan European Council approved the target of a single internal market by 1992.

* * * * *

The Commission proposal focuses on two objectives.

1. Achievement by 31 December 1992 at the latest of an area without frontiers, in which persons, goods, services and capital can circulate under the same conditions as in a Member State.

This concise formula effectively sums up the entire programme presented in the White Paper on completing the internal market approved in principle by the Milan European Council.

This is a simple but overall approach, which does not lend itself to subdivision into specific aspects.

2. Introduction of greater flexibility into the legislative process by changing from unanimity to qualified majority voting for the adoption of all the measures needed to achieve the internal market.

At present adoption of most of these measures - whether they relate to the abolition of physical, technical or fiscal barriers - requires unanimity (Articles 99, 100 and 235).

Conclusions of the European Council on the completion of the internal market

The Council welcomed the White Paper on completing the internal market, submitted at its request by the Commission.

It instructed the Council to initiate a precise programme of action, based on the White Paper and the conditions on the basis of which customs union had been brought about, with a view to achieving completely and effectively the conditions for a single market in the Community by 1992 at the latest, in accordance with stages fixed in relation to previously determined priorities and a binding timetable.

Progress towards this objective should be both gradual and visible and the European Council therefore requested the Commission to submit its proposals swiftly and the Council to ensure that they were adopted within the deadlines established in the timetable.¹

¹ Editor's Note: This is the binding timetable referred to in the previous paragraph.

However, the Commission is aware of the specific problems raised by the free movement of persons and has accordingly proposed that the unanimity rule be retained here for the time being. It has also suggested the insertion of a provision requiring Member States to cooperate, in conjunction with the Commission, on matters such as the entry, free movement and residence of nationals of non-member countries and the fight against crime and drugs. Qualified majority voting on the free movement of persons would be introduced in 1993.

The cost of "non-Europe" is considerable. It has been estimated, for example, that if national public contracts were opened up to Community-wide competition there could be a saving of 40 000 million ECU to national budgets. Similarly, the annual cost to firms of existing customs formalities at intra-Community frontiers has been put at 12 000 million ECU. The "dynamic" effects would be even more striking: doubling the production of electronic components would mean economies of scale of the order of 20%. Overall the Community is wasting 2% of its GDP because it has failed to complete the internal market.

At the same time, the Community's overall competitiveness is waning: over the past ten years its market share in the industrialized West has fallen by 2 percentage points. Its capacity to create new jobs is virtually non-existent.

Greater economic cohesion would lead to further growth. And each percentage point of additional growth would mean 400 000 new jobs.

The Commission's proposal to the Intergovernmental Conference is a "formal" text. The background will be found in the White Paper on completing the internal market, the main features of which are summarised below.

THE WHITE PAPER ON COMPLETING THE INTERNAL MARKET

The Commission's White Paper identifies three sets of barriers which need to be removed.

Physical barriers: The Commission proposes that all controls at intra-Community frontier posts should be eliminated by the end of 1992. The posts themselves should disappear entirely by that date if the Commission and the Member States can find alternative ways of dealing with specific areas (for example, drugs and terrorism) where intra-Community controls will need to be retained.

Technical barriers: The multiplicity of national product standards and rules constitute hidden barriers to trade and will have to be eliminated, harmonized or made interchangeable. The same applies to national rules and regulations obstructing the free movement of services. All these rules hinder the creation of optimum conditions for the development of profitable industrial and commercial cooperation and impede free and healthy competition between Community undertakings, notably in relation to public contracts.

Fiscal barriers: The Commission proposes that the rates of indirect taxes should be harmonized to the extent necessary to eliminate distortions of trade. Rates would not have to be identical throughout the Community for the same goods or services. Minor differences would be perfectly acceptable: a 5% difference in the VAT imposed on a given product would not hinder free movement.

Although their removal is vital to completion of the internal market, fiscal barriers are the most difficult to tackle in the context of European integration. Fiscal policy is one of the main instruments of Government policy: the structure and rates of a given fiscal system have their own inherent logic. The Commission is aware of this and considers that exceptions to the general rule could prove necessary. However, the Governments should undertake here and now to refrain from introducing any measures which would complicate tax harmonization in Europe still further.

VAT rates

As far as the number of rates is concerned, seven out of the nine Member States as present impose VAT at a reduced rate or rates in addition to the standard rate and three of these also impose a higher rate. I would suggest that a common system would be likely to have more than one rate. Nevertheless, despite the present predominance of multiple rate systems, there are strong arguments in favour of a single rate.

Positive rates of VAT in Member States (March 1985)

	Lower	Standard	Higher	VAT as percentage of GDP
Belgium	6 et 17	19	25 ²	7.67
Denmark	-	22	-	9.84
Germany	7	14	-	6.34
France ³	5,5 et 7	18,6	33,3	9.19
Ireland	10	23	-	8.22
Italy	2 et 9	18	38	5.48
Luxembourg	3 et 6	12	-	6.04
Netherlands ³	5	19	-	6.83
United Kingdom	-	15	-	5.22

¹ Greece has not yet introduced VAT.
 An additional luxury tax of 8% is charged on certain products.
³ Ireland and the United Kingdom apply zero rates to a wide range of goods and services.

Excise duties

In view of the large number of excisable products (for example 28 alcoholic beverages, 7 mineral oils) it is not practicable to show all the rates for the Member States. The Table does, however, give a representative picture of comparative excise duty levels in the Community.

Examples of excise duties in Member States (March 1985)

	20 cigarettes	1 litre of beer	1 litre of wine	0.75 l of 40% spirits	1 litre of premium petrol
Belgium	0.73	0.13	0.33	3.78	0.25
Denmark	1.96	0.65	1.35	9.58(2)	0.28
Germany	1.02	0.07	0.00	3.43	0.23
France	0.31	0.03	0.03	3.37	0.36
Greece	0.28	0.22	0.00	0.16	0.29
Ireland	1.14	1.14	2.74	7.84	0.36
Italy	0.67	0.18	0.00	0.75	0.49
Luxembourg	0.54	0.06	0.13	2.54	0.20
Netherlands	0.74	0.23	0.33	3.79	0.28
United K.	1.25	0.70	1.60	7.70	0.29

¹ Estimated average.

2. TECHNOLOGICAL RESEARCH AND DEVELOPMENT

Technological progress plays a vital role in our society because of its impact on economic growth, on job creation, on social and cultural advancement and on the environment and safety.

Of every 10 personal computers sold in Europe, 8 are manufactured in the United States. Of every 10 video-recorders, nine are made in Japan. European manufacturers of integrated circuits control only 30% of the Community market and 13% of world sales. The annual growth rate (in real terms) for the manufacture of high technology products in Europe has never exceeded 5% since 1972, although it has reached 7.6% in the United States and 14% in Japan.

The Community must take up the challenge. Technological progress is a strategic factor it must control if it is to become competitive again, restore steady, vigorous growth and promote economic convergence by boosting the innovative capacity of each and every Member State.

WHERE THERE'S A WILL THERE'S A WAY!

The lack of any clearly established powers and responsibilities in the Treaties with reference to research and technological development is one reason why the implementation of Community action in the area of new technologies has been slow - and modest - compared with what is at stake.

The Commission has proposed that the Community should set itself the objective of strengthening the technological bases of European industry and developing its international competitiveness. To that end, it should support cooperation between firms, research centres and universities and argue in favour of the liberalization of public contracts and the definition of common standards.

All Community action would be slotted into a multiannual framework programme setting out the objectives, the Community's financial contribution and the way this is to be allocated to the various objectives.

The framework programme would be adopted unanimously but a qualified majority would suffice for a decision on subprogrammes defining specific objectives, technical content, timescale, resources and implementing arrangements.

Subprogrammes could be complementary programmes confined to those Member States which helped to fund them.

POLITICAL WILL OF THE EUROPEAN COUNCIL

(Extract from the Conclusions of the Milan European Council - June 1985)

"The European Council noted that a collective effort to master new technology was a condition for maintaining European competitiveness. It therefore decided to give the Community a new technological dimension.

The European Council approved and endorsed the Commission report on the strengthening of technological cooperation in Europe."

The Commission's proposal is a comprehensive one, combining concrete suggestions, know-how which will help to stimulate and catalyse research, and financing arrangements tailored to the requirements of basic research, development research and innovation.

The Commission has also proposed an institutional structure which gives a clear sign to industrialists and offers a framework for cooperation with non-member countries.

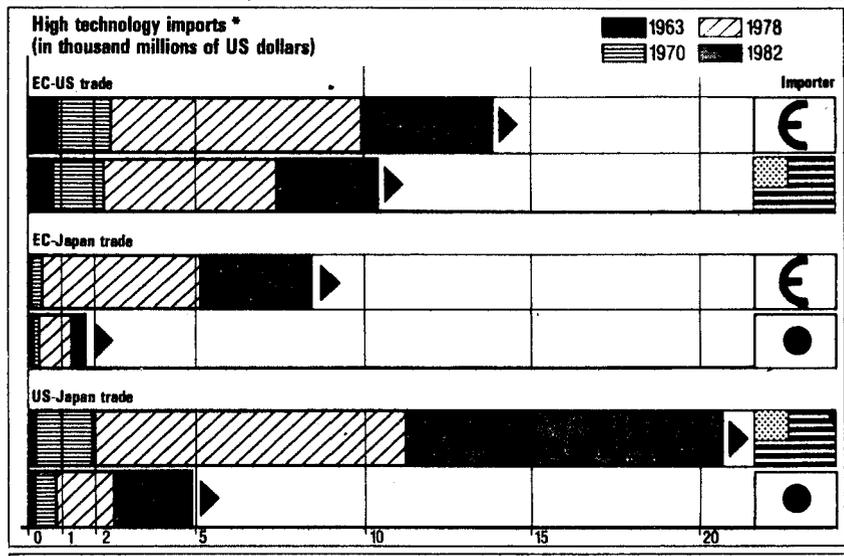
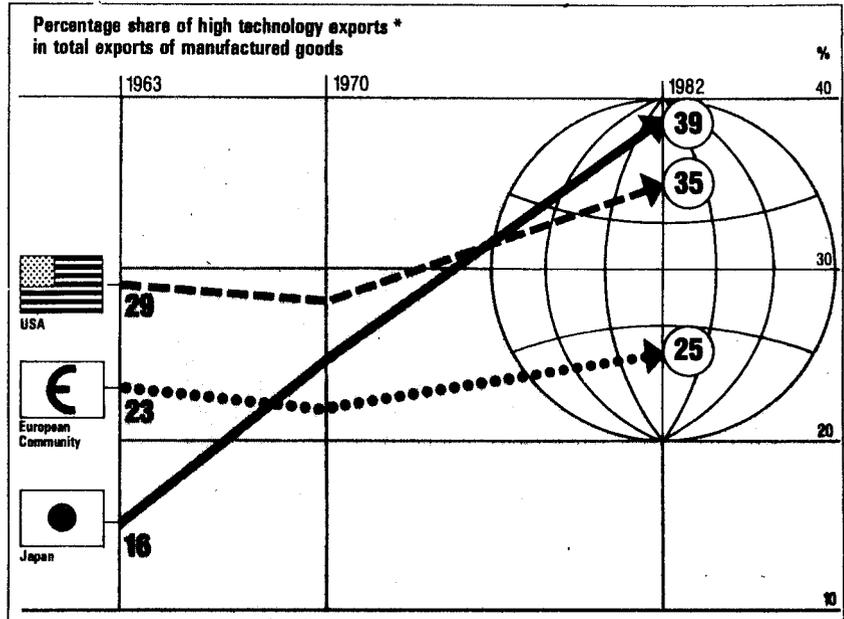
THE CHALLENGE

Although its internal market is roughly the same size as those of Japan and the United States, the Community must face up to competition from these two countries with a market divided by a multiplicity of barriers and with no common strategy on technology. R&D policies and related resources - with one or two fortunate exceptions - are dispersed throughout the Member States.

Europe's poor industrial performance is reflected in the erosion of its trade surplus in high technology products. In twenty years - 1963 to 1983 - the Community's cover rate for high technology imports has fallen from 190% to 110%.

Can Europe content itself with the dominant position it still enjoys for medium technology products, with the newly-industrialized countries of Asia and Latin America waiting in the wings? Must it accept a "brain drain" to the United States and sit helpless while Japan take over its share of the market?

Can it sustain its standard of living, reverse the trend of unemployment and safeguard its independence without taking up the technological challenge of the outside world?



* The 28 products enjoying the highest research and development expenditure. Source: Brendan Cardiff in 'European Economy', No 16, July 1983.

A large market and technology: the importance of the Community dimension

A sufficiently large and coherent market is a precondition for the profitable development of new technologies, that is to say, getting them out of the laboratory into the factory.

New techniques may be essential to progress but they are not enough of themselves.

A large market is needed to do away with production bottlenecks. A large market would make it possible to implement European standards, to liberalize public contracts, to harmonize legislation on industrial ownership and to introduce Community labelling.

The Community dimension, and the Community dimension alone, will allow Europe's scientists and industrialists to draw on the human, financial and market resources they need if they are to innovate.

Two examples

Telecommunications: an industry as important as coal or steel in 1950
Within the information technology field, special problems are posed by telecommunications:

- The development of this sector is largely determined by the regulations and purchases of public authorities;
- Enormous technical changes are taking place: numerization (the use of computer code languages), optical fibres (with vastly increased transmission capacity), microelectronics (allowing miniaturization and cost saving). New services and devices include the tele-transmission of written texts, the scanning of data-bases, the exchange of files between computers, long-distance surveillance of buildings, assistance to people living alone, radio-telephones, video conferences and digital television.

The state of affairs in the Community is as follows:

- Telecommunications is a priority sector for the relaunch of productive investment. Although accounting directly for only 1% of the added value of Community gross domestic product, the sector influences 55% of total value added and 62% of all employment. The potential, on the European market and in the Third World, is enormous. The Community industry needs to make huge research and development efforts to hold on to its place as premier world exporter. International competition is growing and benefits from the size and unity of domestic markets in the United States and Japan.

- Europe's weaknesses include: the fact that a large proportion of exports comprises equipment which will soon be out of date; the fact that the European market is divided into national markets,

dominated by local producers who enjoy local monopolies but lack the large-scale production and economies of scale needed to finance innovation; uncertainties for would-be customers, caused by the higher costs created by the fragmentation of the European market, doubts about the nature of future telecommunications networks and the constraints imposed by national regulations. These uncertainties account for the fact that the European market is forecast for only a 5% growth between 1980 and 1990, compared to 8% on the world market.

Biotechnology

The progress of the life sciences has made an increasing volume of molecules and cells, of both vegetable and animal origin, available for use in agriculture, food processing, the chemical and pharmaceutical industries, the production of biomass energy and the recovery of waste. Economically, the stakes are enormous. About 40% of manufactured goods are biological in origin. By the year 2000 it is estimated that the world market for biotechnology could top 100 billion dollars. The Community must be able to compete effectively for this market with its principal international competitors. Biotechnology will also enable the Community to attain a number of political objectives. These include permitting the Third World to become self-sufficient in food and the reduction of public expenditure on agriculture and health care. A wealth of potential applications of biotechnology in these areas is still unexplored.

All the great industrial powers of the world are already moving towards a 'biosociety'. But American expenditure in this field is twice that of the Community in research work and even further ahead in industrial uses. Japan has also launched an ambitious development programme. Meanwhile, European researchers are emigrating to the United States and the Community is increasingly dependent on imports of both biotechnology products and patents. This state of affairs has been caused by the disparate nature of national research and development efforts, the compartmentalization of the Community market by differing national standards and regulations and a relative shortage of adequately trained scientists.

3. INCREASING THE COHESION OF THE COMMUNITY

A text of major political importance

Increased economic and social cohesion between the Member States is vital to the Community's future.

Structural differences in the Community of Twelve will be much wider than in the original Community of Six thirty years ago. And they could be accentuated further when the "Large market" comes into existence. Unless effective structural action is taken to compensate for imbalances, there is a serious danger that the Community will be weakened.

The principle of cohesion

Establishment of a common market and then a "Large market" between the Twelve will have different repercussions on the various regions, sectors of activity and social groups in the Community. This means that - desirable though this development may be - some people will gain more than others. Some may even be harmed by it - at least in the short term.

Consequently, the creation and continued development of an integrated economic area is unthinkable without a measure of "redistribution" between the various participants in the interests of a more balanced development of the whole.

The purpose of Article 1 of the Commission's proposal, inspired by the Preamble to the Treaty of Rome, is that the Member States should firmly re-assert the principle of cohesion.

Ways of increasing cohesion

The Commission considers that there are three complementary ways of increasing the cohesion of the Community:

- taking the principle of cohesion into account in implementing the internal market and common policies;
- coordinating the economic policies of the Member States;
- using the Community's structural funds, the EIB and other financial instruments which the Council could decide to create (borrowing, loans, ...).

Existing structural policy instruments and the spirit in which they are used will not be sufficient to cope with the demands of cohesion, vital to a Community of Twelve with a "Large market".

The Commission feels the time is ripe for a genuine Community structural policy based on financial instruments which pursue their true objective, which are coordinated among themselves, which have diversified resources and which concentrate on a clearly-defined mission.

4. THE COMMUNITY'S 'MONETARY CAPACITY'

The area of monetary affairs, which has to be crossed on the road to economic integration, can be a minefield. A false move can trigger the ultrasensitive devices hidden there and those in charge have little room for manoeuvre to clear a way through.

* * * * *

A country's currency is a crucial factor in the issue of national sovereignty. Yet monetary cooperation is one of the pillars supporting the full economic and social integration of the Community. It would therefore have been unthinkable for the Intergovernmental Conference to ignore monetary issues, but care had to be taken that they were not treated lightly.

That is why Jacques Delors trod with great caution in presenting his proposals on 'monetary capacity'. But political considerations also leave their imprint: in its task of revising the Treaty, the Intergovernmental Conference has to approach monetary objectives from the legal angle.

Four principles underlie the proposals put to the Conference:

- There is no need to extend the Community's monetary powers. These powers do exist. They can be found in the Treaty. They must be reaffirmed, and the Community's right to deal with monetary questions must be recognized.
- The degree of autonomy with which monetary policy is conducted varies from one Member State to the next, and there can be no question of upsetting existing national systems.
- the European Monetary System (EMS), which has proved its effectiveness since it was instituted, must be enshrined in the Treaty. And the Treaty must provide for the gradual development of the System.
- This innovation in legal terms will not automatically entail innovations in actual practices. What it will do is confirm an existing competence and create a potential competence. The object is to give the European Monetary System scope to develop and ultimately to establish a European Monetary Fund. But progress can be made even before this final stage is reached, particularly as regards EMCF interventions in the development of the ECU.

The European Monetary Cooperation Fund (EMCF)

The European Monetary Cooperation Fund was established by the Regulation of 3 April 1973. This body has a legal personality and is managed by a Board of Governors, made up of members of the Committee of Governors of the Central Banks of Member States and a Member of the Commission. The Fund is operated in accordance with Council Directives. Its operations are denominated in a European unit of account (EMUA, EUA, then ECU).

Initially the Fund was responsible for organizing:

- the concerted action required for the proper functioning of the exchange system (the snake);
- the multilateralization of positions resulting from interventions by central banks in Community currencies in order to defend exchange parities: the EMCF records each bank's debtor and creditor positions with the others, determines the final net positions and settles these positions each month. Previously, these operations were carried out on the basis of bilateral agreements between the banks;
- the very short-term financing arrangements provided for under the Basle Agreement (10 April 1972). This mechanism offers unlimited drawing facilities for 30 days from the end of the month (45 days on average), renewable once within the limit of the country's debtor quota (maximum drawing to which it is entitled), which depends on its creditor quota (i.e. the maximum financial commitment which it is prepared to provide).

With the coming of the European Monetary System, the EMCF was given a bigger role to play:

- central banks were henceforth required to place at the disposal of the Fund (but not to transfer to it) 20% of their gold and foreign exchange reserves;
As a counterpart to these contributions countries are issued - on a non-permanent basis, as there is no actual transfer - with ECUs, which they use to pay back the very short-term debts they have contracted to support their currency. These operations take the form of three-month revolving swaps. The contributions of gold and foreign currencies are valued on the basis of market rates and levels are adjusted every three months. A creditor central bank is not obliged to accept settlement in the form of ECUs for more than 50% of the debt;
- credit facilities available were increased (25 000 million ECU).

But the EMCF has not yet been provided with its own reserves, which would have made the ECU into a reserve currency and a fully fledged means of settlement, hence a genuine currency. The Member States have not been prepared to hand over definitively to the EMCF part of their national monetary reserves. Their reluctance has so far prevented the transformation of the Fund into a European monetary fund.

The European Monetary System

The mechanisms of the European Monetary System (EMS) were adopted by the European Council in Brussels on 4 and 5 December 1978. The System came into force on 13 March 1979.

The aims of the EMS

The aim of the EMS is to establish greater stability in exchange relationships between European currencies and to stimulate the convergence of Member States' economic policies. A stable exchange rate system is essential for the proper running of the common market: the common agricultural policy is seriously hampered by monetary fluctuations, industry is unable to derive maximum benefit from the European market and trade cannot go on developing if exchange risks are not eliminated.

But exchange rates will not stabilize without some convergence of Member States' economic policies. Differences between inflation rates, for instance, will give rise to frequent parity adjustments. If the EMS is to function properly, the Member States will have to submit to a certain discipline and make an effort to achieve convergence in their policies. A stronger sense of solidarity must also be generated between the Member States in order to reduce economic disparities, which are the source of monetary divergences.

Finally, the EMS is an attempt at further progress towards the constitution of a separate European monetary entity capable of withstanding speculation and fluctuations in the international monetary system, particularly variations in the dollar.

How the EMS works

Since 1979, nine Community States have belonged to the EMS, seven of them being full members. Two countries enjoy special arrangements: the United Kingdom does not participate in the System's exchange rate mechanism and Italy has chosen, as it was authorized to do in the agreement setting up the EMS, to apply wider margins of fluctuation than the other countries. Greece need not decide until later whether it wishes to participate or not.

The European Monetary System is at the same time an exchange rate and intervention mechanism, an arrangement for settlements and a credit facility, all centring on a single reference unit, the ECU.

The ECU at the heart of the EMS

The ECU (European Currency Unit) is the key to the EMS. Like the former European unit of account (EUA), it is made up of a "basket" of currencies. Its value is equal to the sum of fixed amounts of each Community currency, calculated by reference to the size of each country's economy. Thus, one ECU = 0.719 DM + 1.31 FF, etc. (see Table 1). The drachma and sterling are included in the composition of the ECU, even though Greece and the United Kingdom are not full members of the EMS.

As the amount of each currency in the composition of an ECU is fixed, the relative weight of each currency as a percentage of the whole varies in line with exchange rate movements. That is why the respective weights of the various currencies in the ECU have altered appreciably since the EMS was set up.

There is, in fact, a clause providing for the composition of the ECU to be reviewed every five years, or at the request of a member country if the weight of one of the currencies has varied by more than 25%.

Composition of the ECU and weights
(15 September 1984)

Currency	Amounts (1979-84)	Amounts (since 15.9.84)	Weight at 15.9.84 (%)
German mark	0.828	0.719	32
French franc	1.15	1.31	19
Pound sterling	0.0885	0.0878	15
Italian lira	109	140	10.2
Dutch guilder	0.286	0.256	10.1
Belgian franc	3.66	3.71	8.50
Luxembourg franc	0.14	0.14	8.50
Danish krone	0.217	0.219	2.7
Irish pound	0.00759	0.00871	1.2
Greek drachma	-	1.15	1.3

Source: L'Europe des Communautés.

5. NEW FRONTIERS: CULTURE AND THE ENVIRONMENT

The European Community needs "new frontiers". It will only win over the younger generation by doing more than it does now to help improve living standards, promote cultural communication between peoples and solve the problems of the Third World.

ENVIRONMENT

The need for a Community environment policy was recognized by the Heads of State or Government at the Paris Summit in October 1972. A first action programme was adopted in 1973 and a second followed in 1977. The current programme - the third - will run until 1986.

The Commission is now proposing that the principle and objectives of a Community environment policy be formally incorporated in the Treaty. Environmental action would be more far-reaching and more effective as a result.

PROMOTION OF COMMON CULTURAL VALUES

The Commission is proposing inclusion in the Treaty of articles on the Community's role in affirming Europe's cultural identity and promoting common cultural values, while respecting cultural diversity of its people.

The audio-visual media (such as television and the cinema) could provide an initial forum for encouraging European cultural initiatives.

THE AUDIO-VISUAL MEDIA

The proliferation of satellites and cables will soon mean that television programmes can be broadcast throughout Europe. Liberty of access to visual broadcasting must be guaranteed, as it already is for radio programmes. As the European Commission has pointed out in a series of communications, joint action is needed to harmonize technical standards and legal requirements which, in areas such as advertising and copyright, could otherwise bar the way to a free market in television broadcasts. This free market must also be used to enlarge European programme production capacity. The demand for cinematic material could reach 125 000 hours a year in a few years' time. At present no Member State produces more than 5 000 hours a year. Both the European Parliament and the Commission would like to encourage the creation of a powerful European cinema and television production industry, which would generate jobs and help Europe to protect its cultural identity and its hopes of economic expansion in the face of American and Japanese competition.

6. STRENGTHENING THE POWERS OF THE EUROPEAN PARLIAMENT

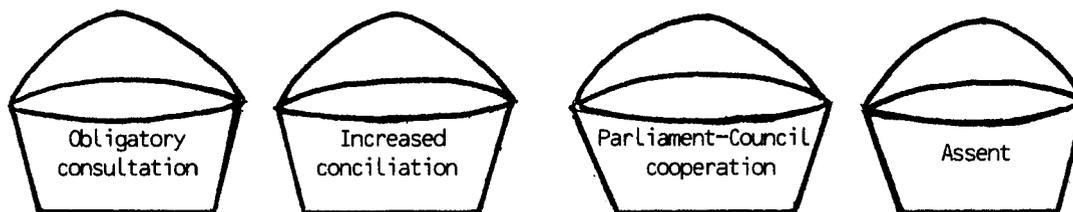
Powers of the European Parliament

The present separation of powers between the institutions is marked by an imbalance between the powers enjoyed by the Council and those enjoyed by Parliament. This is hampering the efficient functioning of the Community as a whole.

Its election by direct universal suffrage has undoubtedly given Parliament democratic legitimacy; but its powers remain extremely limited. It only has advisory powers on the legislative side while on the budgetary side it can vote expenditure without assuming responsibility for raising taxes.

The Commission feels that this unhealthy situation should be remedied by giving Parliament the powers and responsibilities which will gradually enable it to play its role as a democratic institution.

The Commission's proposals would divide Parliament's powers into four "baskets"



Contents of the "baskets": more powers ...

Extension of consultation

The Commission has proposed that the obligation to consult Parliament prior to enactment by the Council should be extended to all Treaty articles which contain no such provision at present. Roughly ten articles would be involved.

Conciliation

A conciliation procedure has already been devised by common agreement between the Council, Parliament and the Commission for acts of a general nature with financial implications.

Its purpose, thanks to a dialogue with a delegation from Parliament, is to give the Council a better idea of the implications of Parliament's opinion and work out an accommodation with it.

The Commission has proposed that the scope of conciliation should be extended so that it would no longer be confined to acts with financial implications. The principle and objectives of conciliation should be written into the new Treaty.

Parliament-Council cooperation

Revision of the Treaty is designed to speed up completion of the internal market and set new Community objectives ("the large internal market", technological research and development...). The Commission has proposed that the European Parliament should be given a greater say in the legislative process in those areas for which it has proposed qualified majority voting in the Council. This would be achieved via a new "Parliament-Council cooperation" procedure, which would work as follows:

- The Council, acting by a qualified majority on a proposal from the Commission, after consulting Parliament, would adopt an act on first reading.
- The act would then be transmitted to Parliament. If Parliament approved it, or did not state its position within two months, the Council would definitively adopt the act.
- Within this two-month period Parliament, by an absolute majority of its members, could propose amendments to the act. It could also reject it by an absolute majority. Its decisions would be transmitted to the Council and the Commission.
- The Commission would deliver an opinion on Parliament's decision.
- If the Commission's opinion was favourable, the Council, acting by a qualified majority, could adopt Parliament's amendments and definitively adopt the act thus amended. In the event of an unfavourable opinion, the Council would have to act unanimously. The Council, again acting unanimously, could alter Parliament's amendments or disregard its rejection and definitively adopt the act.

Assent procedure

The Commission has proposed that Parliament should give its opinion (or its assent to a Council decision) in four cases bearing on the Community's "constitution". These are:

- establishment of a uniform procedure for the election of members of the European Parliament (Article 138(3));
- creation of own resources (Article 201);
- revision of the Treaty (Article 236);
- accession of a new Member State (Article 237).

At present the Treaty provides for a mixed procedure involving a Council decision and ratification by the national Parliaments.

But the Commission considers that a text submitted for ratification by the national Parliaments should already have the full backing of the European Parliament.

... and more responsibilities mean judicial review

The Commission sees the strengthening of Parliament's powers as symbolizing the democratization of Community decision-making.

Sharing power means sharing responsibilities. And it is in that spirit that the Commission has proposed that in future Parliament, like the Council and the Commission, should be subject to judicial review of its acts by the Court of Justice.

7. DECISION-MAKING WITHIN THE COUNCIL

The letter

Decision-making within the Council is based on Article 148 of the EEC Treaty, whereby, as a general rule, the Council, save as otherwise provided in the Treaty, acts by a simple majority of its members (i.e. six countries out of ten or seven countries out of twelve).

"Save as otherwise provided in the Treaty" means that either a qualified majority or unanimity is called for.

In the case of qualified majority the votes are given a weighting which, as the term indicates, reflects the relative "weight" of the various Member States in the Community (population, GDP, ...). Qualified majority voting is also governed by rules limiting the influence of the "big" countries (those whose vote counts for most) to prevent them imposing their combined will on the "small" countries.

The spirit

For years now, the Council has systematically sought a consensus on every decision, however minor. Its failure to put matters to the vote, even where a qualified majority would suffice, has paralyzed the Community.

At the root of this travesty of the Community spirit is the threat to invoke the "Luxembourg Compromise". Decision-making has been perverted by this "pseudo-agreement", which has led to practices so deeply ingrained that it will take institutional change to eradicate them: majority voting must become the rule, unanimity the exception.

The Luxembourg Compromise of 29 January 1966

The Luxembourg Compromise put an end to the crisis sparked off by France's "empty chair" policy. On 30 June 1965, faced with decisions on financing the common agricultural policy (including the creation of own resources), France had withdrawn from the Council for seven months, refusing to recognize that the Community had any claim to supranational status.

In contrast to the Treaties, which specified that certain decisions could be taken by simple or qualified majority from 1 July 1965, the end of the transition period, the Luxembourg Compromise stipulated that "where very important interests" of one of the partners were at stake, consensus would be required within the Council.

"I. Where, in the case of decisions which may be taken by majority vote on a proposal of the Commission, very important interests of one or more partners are at stake, the Members of the Council will endeavour, within a reasonable time, to reach solutions which can be adopted by all the Members of the Council while respecting their mutual interests and those of the Community, in accordance with Article 2 of the Treaty.

"II. With regard to the foregoing paragraph, the French delegation considers that where very important interests are at stake the discussion must be continued until unanimous agreement is reached.

"III. The six delegations note that there is a divergence of views on what should be done in the event of failure to reach complete agreement.

"IV. The six delegations nevertheless consider that this divergence does not prevent the Community's work being resumed in accordance with the normal procedure".

"V. The Members of the Council propose to adopt the following decisions by common consent:

- the financial regulation for agriculture;
- extensions to the market organization for fruit and vegetables;
- the regulation on the organization of sugar markets;
- the regulation on the organization of markets in oils and fats;
- the fixing of common prices for milk, beef and veal, rice, sugar, olive oil and oilseeds."

It was also recognized that all matters relating to the Kennedy Round would be considered "very important". Furthermore the danger of major reforms getting bogged down and the institutional machinery seizing up grew as the Community expanded.

QUALIFIED MAJORITY VOTING: ARTICLE 148(2) OF THE EEC TREATY

Where the Council is required to act by a qualified majority, the votes are weighted as follows:

Present text (Community of Ten)		New text from 1 January 1986 (Community of Twelve)	
Belgium..... 5	Ireland..... 3	Belgium..... 5	Ireland..... 3
Denmark..... 3	Italy..... 10	Denmark..... 3	Italy..... 10
Germany..... 10	Luxembourg..... 2	Germany..... 10	Luxembourg..... 2
Greece..... 5	Netherlands..... 5	Greece..... 5	Netherlands..... 5
France..... 10	United Kingdom..... 10	Spain..... 8	Portugal..... 5
		France..... 10	United Kingdom..... 10

For their adoption, acts of the Council require at least:

- forty-~~five~~ votes in favour where the Treaty requires them to be adopted on a proposal from the Commission,
- forty-five votes in favour, cast by at least six members, in other cases.

For their adoption, acts of the Council require at least:

- fifty-four votes in favour where the Treaty requires them to be adopted on a proposal from the Commission,
- fifty-four votes in favour, cast by at least eight members, in other cases.

The Commission's proposals

The Commission is proposing:

- firstly, that the unanimity rule be replaced in some instances by qualified majority voting, particularly in areas essential to completion of the internal market and the creation of a technological Europe;
- secondly, that the principle of qualified majority voting, entwined in the present Treaty but still a dead letter, should be reaffirmed in the revised Treaty.

Each Member State has a right and a duty to defend its vital interests. But "vital interests" need to be defined. And perhaps, in the end, the best protection for the interests of all Member States could be a powerful Community with efficient decision-making procedures.

Completion of the internal market at the present rate ...

It has been calculated that if the Council had to take unanimous decisions on the Commission's proposals on the elimination of technical barriers alone, completion of the internal market would take more than 30 years!

Architects in no hurry ...

It took 15 years of discussions within the Council to adopt the Commission's proposal for a Directive on right of establishment for architects.

The Council's decision was taken unanimously ...

8. MANAGEMENT POWERS OF THE COMMISSION

Enabling the Commission to manage more effectively

[The present system has serious flaws ...]

The Commission has management powers only where they are conferred on it by the Council (fourth indent of Article 155 of the EEC Treaty). But despite repeated urgings by the Heads of States or Government, any such delegation provokes, more often than not, unending and wearying arguments in the Council, which wishes to make these executive or management powers subject to rules and conditions which, in some instances, amount to the Council itself taking the final decision.

[disadvantages ...]

Firstly, the Council spends a great deal of time discussing the principle and the detailed conditions attaching to any powers to be conferred on the Commission. Secondly, these conditions vary so much and become so intricate that, in management terms, a vast grey area has emerged which is impairing both managerial efficiency and clear determination of responsibilities.

[... and risks for the future]

It is doubtful, given this situation, whether the Commission will be able to take the measures needed to complete the internal market or manage any action approved by the Council in the field of technology with the degree of flexibility required.

The Council, by adding superfluous constraints to those inherent in the Community system, gets close to making its own political decisions inoperable.

[The solution]

The solution proposed by the Commission is that the conferring of management powers on the Commission should be the rule, but a rule from which the Council could derogate exceptionally.

The only strings attached would be the obligation to consult two or three types of committee made up of representatives of the Member States, without the Council contriving, somehow or other, to retain the right of decision. Obviously, every consideration would be given to the committee's opinion, but responsibility for the final decision would clearly lie with the Commission.

* * * * *

II. POLITICAL COOPERATION

Article 67 of the Draft Treaty on European Union adopted by Parliament in February 1984 states that as regards international relations:

'the European Council shall be responsible for cooperation; the Council of the Union shall be responsible for its conduct; the Commission may propose policies and actions which shall be implemented, at the request of the European Council or the Council of the Union, either by the Commission or the Member States'.

Although the Council of the Union is thus to be responsible for conducting cooperation between the Member States on international relations, neither the Draft Treaty nor the Reports and Resolutions on which it was based make any specific mention of a Secretariat responsible for carrying out such cooperation.

However the Report to the European Council in March 1985 by the ad hoc Committee for Institutional Affairs (the Dooge Committee) states that several measures could be considered initially which might allow progress to be made towards finding a common voice.

The Report proposes the strengthening of EPC structures by

'the creation of a permanent political cooperation Secretariat to enable successive Presidencies to ensure greater continuity and cohesiveness of action; the Secretariat would to a large extent use the back-up facilities of the Council and should help to strengthen the cohesion between political cooperation and the external policies of the Community'.

On 28 June 1985, the first day of the Milan European Council, the French President, Mr Mitterand, and German Chancellor, Mr Kohl submitted a draft Treaty on European Union to their colleagues. Article 10 of this draft Treaty deals in some detail with political cooperation and reads as follows:

'Article 10, paragraph 1:

The Presidency of political cooperation will be held by the signatory state which has the Presidency of the Communities. It will be assisted by a general secretariat of the Council of European Union which will be permanently based in the main centre of Community activities.

Paragraph 2:

A Secretary-General of European Union will be responsible for running the general secretariat. He will have the task of over-seeing political cooperation and will be nominated by the Council of European Union for four years.

Paragraph 3:

The other members of the general secretariat will be appointed for a period of two years by the Foreign Ministers of the signatory states.

Paragraph 4:

The Secretariat will have as its main task to assist the Presidency by ensuring the continuity of political cooperation between the signatory states and its coherence with the Community's positions'.

This Franco-German Draft Treaty on European Union effectively includes most of the points which appeared in a British text on European Political Cooperation circulated some days before the Milan European Council. On 22 July 1985 the Foreign Ministers instructed the Political Committee to prepare by 15 October the text of a Draft Treaty on the basis in particular of the Franco-German and British drafts concerning political cooperation with a view to a common foreign and security policy.

* * * * *

Preparatory work on political cooperation is progressing within the Political Committee (the Political Directors of each Member State) on the basis of the British and Franco-German drafts circulated for the Milan European Council and the Dutch and Italian drafts which suggest amendments to them. The Commission is represented on the Political Committee but has made no proposal so far. It did however submit a note on the structure of the Act.

2 September 1985

COMMISSION NOTE

Structure of Act on

- (a) amendments to the EEC Treaty and
- (b) arrangements for political cooperation

1. In view of the conclusions of the European Council held in Milan on 28-29 June 1985 on ways of achieving concrete progress on European Union, and in the light of the opinions delivered under Article 236 EEC, the President of the Council has convened a conference to examine

- draft amendments to the EEC Treaty
- a draft Treaty on European political cooperation.

2. One and the same conference will therefore consider and adopt two distinct sets of provisions. But the mere fact that negotiations are to be conducted in a single forum is not intended - nor can it be allowed - to alter the intrinsic nature of political cooperation. Political cooperation is based on a consensus of the representatives of all the Member States and decisions taken in this context have nothing in common with Community acts. Where they are associated with political cooperation, the Community's institutions play an entirely different role to that assigned them by the Treaties of Paris and Rome.

3. Despite this distinction, which needs to be maintained, it is imperative - as the Commission emphasized in its opinion of 22 July 1985 - that the two areas of activity be combined and that realistic conditions for osmosis between economic, social, financial and monetary affairs on the one hand and foreign policy on the other be established.

The Commission considers that it is legally feasible and politically vital, while preserving the present dichotomy between areas of activity and legal systems, to achieve the desired result in a single Act.

4. This Act would begin with a preamble and a short common section which would, in essence, affirm that the European Community and European political cooperation share a single goal, namely to contribute to the unification of Europe.

Then would follow two separate Titles, one dealing with amendments to the EEC Treaty, the other with political cooperation. The first Title would set out to improve decision-making by the three political institutions (the Council, Parliament and the Commission) and would clarify or extend Community competence. This Title, and this Title alone, would have the same status as the Treaties establishing the European Communities and could only be amended under the procedure provided for in Article 236 EEC. The second Title, on political cooperation, would have the status conferred on it by traditional public international law.

The Final Provisions of the Act would include an article providing for an ultimate rapprochement between the Community and political cooperation in the area of foreign and security policy.

5. The Commission believes that adoption of such an approach by the conference would have symbolic significance not only for the people of the Member States but for countries outside the Community too. It would clearly demonstrate that the Member States regard the objectives assigned to the Community and political cooperation as a single goal and are determined to reach it, admittedly by different paths.
