

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(85) 696 final

Brussels, 28 november 1985

EUROPEAN UNION

REPORT BY THE COMMISSION

(Communication from the Commission to the  
European Council, 2 and 3 december 1985)

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REPORT ON EUROPEAN UNION

Europe embarked on the road to Union with the Treaties of Paris and Rome. In establishing the first Community the founding States expressed a resolve "to create the basis for a broader and deeper community (...) and lay the foundations for institutions which will give direction to a destiny henceforward shared" (Preamble to the ECSC Treaty signed in Paris on 18 April 1951).

The political objective of European integration has been restated on many occasions by the Heads of State or Government, most recently in the Solemn Declaration adopted in Stuttgart on 18 June 1983 in which they reaffirmed their will "to transform the whole complex of relations between their States into a European Union".

The task of uniting Europe has therefore continued, despite difficulties and disputes, because the first achievements - the European Communities - provided a sound framework and prompted further achievements.

The venture launched by the Six will be continued by the Twelve: twelve democratic states of Western Europe who have opted for economic integration and solidarity to advance together along the road to European integration.

Enlargement of the Community offers a unique opportunity for revitalizing European integration because of the new blood it will bring and the potential effects of scale of a larger Community market. But enlargement could be a source of new difficulties too because of the increased heterogeneity of the Community area.

Long before the advent of Spain and Portugal, the history of the last twenty years had highlighted serious shortcomings in European structures. These are depriving Europe of the vitality it needs:

- . to combine forces to find the economic dynamism which would enable it to turn the tide of unemployment and guarantee its citizens a better standard of living;
- . to contain the scientific and technological developments which are transforming industrial competition, security and human ethics throughout the world;
- . to promote its own values which find their expression
  - in the defense of human rights and democracy;
  - in the constant search for a balance between individual development and the need for solidarity;
  - in a concern to share a rich, diverse cultural heritage with the people of an entire continent;
- . to give itself the means of affirming its political independence and assuming the international responsibilities incumbent on it by virtue of its history, its political role, its economic potential and its manifold links with other peoples.

The decision taken in Milan to revise and amend the Treaty of Rome demonstrates an awareness of the inadequacies of European structures measured against the expectations of the people of Europe and their representatives. It provides an opportunity of updating the Treaties to take account of developments in Europe and the world since their signatur

Above all it provides an opportunity for making an historic choice about the future shape of European integration.

The Heads of State or Government must choose between the temptation to reduce European integration to the level of other contractual forms of multilateral cooperation and a decision to forge ahead, true to the spirit of the original Treaties, placing their trust in the novel method adopted by these texts to define and serve the common interest.

A decision to continue along this path must be translated into a Treaty which:

- reforms the decision-making machinery of the EEC Treaty to make it more democratic and more effective but retains the novel institutional structure of the Community so that it can continue to be the guarantor of the common interest and a symbol of the desire for union which inspired the signatories of the present Treaty;
- extends the Community system based on the EEC Treaty to areas which have gradually come within the ambit of common action by the Member States and the Community and to others which need to be brought within the Community system if the objectives of the Treaty are to be attained;
- gives contractual force to mutual undertakings given by the Member States in the context of cooperation on foreign and security policy, it being understood that cooperation in these areas would continue to be governed by a separate set of rules until such time as the Member States agree to bring them within the ambit of common action;

- establishes a single framework for the furtherance of European integration while at the same time allowing the necessary transitional stages for the gradual achievement of European Union by making subsequent developments, which would extend the scope of common action and improve the operation of the triangular institutional structure: Council-Parliament-Commission, conditional on prior endorsement by the Member States.

In adopting this Treaty, thereby creating the conditions for osmosis between economic, social, financial and monetary affairs on the one hand, and foreign policy on the other, the Heads of State or Government, meeting in the European Council, will demonstrate their resolve to remain steadfastly on the course charted by the original Treaties in pursuing and revitalizing European integration.

This has been the Commission's objective. The various proposals it has put to the Intergovernmental Conference are part of a design to reactivate the European venture in accordance with the spirit of the Treaties.

Its proposals are designed, initially, to lay the foundations for the new European edifice. They cover four overlapping areas:

1. The removal of the Community's internal frontiers, which would transform this entity, with a population of 320 million, into a vast area where persons, goods, services and capital could move freely as they do within national frontiers, and as they did in Europe before the decline generated by the first world war.

The Member States are hesitant about showing the way to businessmen and the general public. Some would prefer to stick to the concept of common market as it appeared in the Treaty of Rome with all its inadequacies. Others would wish to

restrict the scope of this common market by allowing exceptions and insisting on unanimity for some vital decisions (tax harmonization).

The Commission, for its part, is convinced that if the European Council does not give an absolutely clear and comprehensive definition of the ultimate objective - an area without frontiers - it may well see this objective snatched from its grasp by individual self-interestedness, as happened with the authors of the Treaty of Rome.

## 2. Monetary cooperation

The Commission's purpose in proposing inclusion in the Treaty of the main points of the consensus reached within the Community for the organization of European monetary cooperation, was to highlight the close link which exists between an economic union based on total achievement of the internal market, the convergence of economies promoted by monetary cooperation and the strengthening of the European edifice produced by this monetary cooperation.

The Commission had no intention of forcing decisions before unanimous agreement had been reached on what was required for further progress to be made on monetary cooperation. Indeed, its proposal leaves it to the monetary authorities of each country to decide on all the important steps to be taken in the future.

The Commission's proposal has nevertheless come up against the avowed opposition of two Member States. There may be some misunderstanding about just what the Commission's proposal involves. If so, this misunderstanding must be dispelled in the European Council. The absence

of any reference in the new Treaty to the Community's monetary capacity would be a clear message: it would spell the rejection of economic and monetary union as an objective for the European Union, it would mark a step backwards in the European venture itself. The Commission hopes that the European Council will not send this message to European industry and the outside world, let alone to the European public, for which the ECU is part of the European dream.

### 3. Economic and social cohesion

In a Community as diverse as the Community of Twelve the expected impact of enlargement and achievement of the large market could be compromised by a worsening of regional imbalances, by problems of industrial and agricultural restructuring and by a widening of the gap between north and south.

The Community must make sure that it has the resources - and not just the budgetary resources - to provide backup for regional and industrial restructuring and development. Failing this, it could well degenerate into nothing more than a free trade area with endless derogations compounded by derisory budgetary transfers. This is not the way to build a Community.

By contrast, if the European Council were to adopt the approach advocated by the Commission, European Union, while not dispensing Member States from the need to face up to today's challenges, would clearly enable them to rely on European economic and financial cooperation and indeed the solidarity of the other Member States.

The Danish proposals, subsumed and expanded by the Commission's proposals, are in the same vein: the large market will not be opened up to the full impact of Europe's economic and social momentum

without the development of a social dialogue at European level, without the hope that benefits of the large market will pave the way for a progressive and harmonized improvement of working conditions.

4. The fourth element is the creation of a technological Community with the powers and resources needed to act as a catalyst for national efforts to harness the new technologies, a Community which can rely on the industrial cooperation which is vital if European industry is to become internationally competitive once again, a Community capable of contributing to the success of Eureka, the expression of a collective refusal to live with European technological dependence.

If achieved in toto, this revitalization would be much more than a milestone on the road to European integration; it would also provide the Community with the basis for more sustained growth and the means for reducing unemployment.

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But Europe's ambitions are not restricted to economies. If there is to be a revitalization, the new Treaty must also propose new frontiers to conquer so that European integration can become a mobilizing force for new generations of Europeans.

With this in mind, the new Treaty must provide a springboard for future action. Future generations will be able to take up the European challenge if Europe is generous in its development aid, if it protects the environment and respects the balance between man and nature,

if it speaks with a European voice on cultural issues and if it constitutes the framework for collective responsibility in matters of security and defence, independence and the democratic values so dear to the heart of Europeans.

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To extend the scope of Community action, to propose new objectives ... all this is pointless if nothing is done to change the decision-making machinery. That goes without saying: the *raison d'être* of the Intergovernmental Conference is to extend majority voting in the Council, to restore and consolidate the Commission's management and executive powers, and at long last to involve the directly-elected Parliament in the exercise of legislative power. These are three parts of one and the same objective: to make the Community more efficient and more democratic. And it is on this that the success or failure of this Conference will turn.

This minimal reform of the Community's decision-making machinery with the substantive elements of revitalization is a must if the expectations associated with the reform of the Treaty are not to be seriously disappointed.