

**EUROPEAN COUNCIL**

**Milan  
28-29 June 1985**

**PRESS KIT**

Prepared by the Service of the Spokesman  
Commission of the European Communities

Major developments from 1 January 1985 to the Milan European Council

Completing the internal market

A genuine common market

Main institutional problems of the Community

Outline of the principal research programmes of the European Community

Towards a European technology Community

Memorandum: towards a European technology Community

A people's Europe

28/29 June, 1985

MILAN



European Council

-1-

Commission of the European Communities  
Service of the Spokesman

(1)

#### MAJOR DEVELOPMENTS

from 1 January 1985 to the Milan European Council of 28-29 June 1985

- 1 January - Italy takes over the Presidency of the Council
- 7 January - First meeting of the new Commission under its new President, Mr Jacques Delors
- 14 January - Policy statement by Mr Delors before the European Parliament, which gives a vote of confidence to the new Commission
- 30 January - Technical harmonization and standards : a new approach (Commission communication to the Council): in the interests of efficiency and speed, the Commission proposes to define essential requirements for each category of products, on the basis of which the specialized European bodies would lay down technical and safety standards, etc.
- 31 January - Informal meeting between the two sides of industry in the Community at Val Duchesse (employers and trade unions together with the Commission)
- 20 February - Commission adopts a memorandum on a Community policy for migration
- 22 February - First Commission report on the Dublin plan (Community contribution to the fight against famine in Africa)
- 25-26 February - Council agreement on the organization of the wine market
- 11-12 March - Council agreement on the adjustment of agricultural structures policy
- 12 March - Commission work programme for 1985 presented to Parliament  
- Seven research programmes adopted by the Council (including the BRITE programme - Basic Research in industrial Technologies for Europe)
- 19 March - Council declaration on a new round of multilateral trade negotiations within GATT: the Community is in favour, subject to specific conditions regarding participating countries, topics and organization
- 20 March - RACE programme (Research on Advanced Communications Technologies for Europe) adopted by the Commission

(2)

- 26 March - Council adopts aid programme for the steel industry
- 28-29 March - Agreement on the main items (agriculture, fisheries, social affairs) in the accession negotiations with Spain and Portugal
- 29-30 March - Brussels European Council : reports by the Dooge Committee (institutional reform) and the Adonnino Committee (People's Europe); declaration on Mediterranean policy in the enlarged Community
- 16 April - Commission proposal on integrated Mediterranean programmes (IMPs): financing by own new resources to be entered in the budget and by the structural funds and the European Investment Bank; arrangements for implementation under Commission control
  - Commission proposal on Community support for European cinema and television coproductions
- 21-27 April - Official visit by President Delors to the United States
- 30 April - Angola signs the Third Lomé Convention, making all the independent black African States signatories
- 2-4 May - Summit of western industrial nations in Bonn
- 6 May - New European Social Fund guidelines
- 8 May - Proposal for a regulation to strengthen the European Monetary System (EMS) : use of the "official" ECU by the central banks
  - Communication to the Council on strengthening links between the Community and the European Free Trade Association
- 13-15 May - Political agreement in the Council on 1985/86 farm prices except for cereals and colza
- 15 May - Commission recommendation on the opening of negotiations with Latin America with a view to reaching a global agreement on political and economic cooperation
  - Commission approves the "General Objectives Steel 1990"
  - Commission communication to the Council on the establishment of a Community system for the pricing of books
- 20 May - Visit by Pope John Paul II to the Commission
- 22 May - Judgement by the Court of Justice in the case brought by Parliament against the Council for its failure to act on transport policy

./..

- 23 May - Council assesses Community aid operations to combat famine in Africa (following inspection visits by Mr Natali to Ethiopia, Sudan, Niger, Mali and Mauritania)
- 4 June - Council agreement on launching the definition stage of the RACE programme
- 5 June - Commission proposal on car exhausts (following the Council's decision of principle on 20 March)
- 6 June - Signature of the EEC-China Agreement
- 10 June - Council adopts directive on freedom of establishment for architects
- 12 June - Acts of Accession for Spain and Portugal signed in Lisbon and Madrid
- 13 June - Parliament adopts 1985 budget : 28 400 million ECU
- 14 June - Commission adopts preliminary draft budget for 1986: 31 800 million ECU for the Ten; 34 900 million ECU for the Twelve
- Commission adopts White Paper on creation of a genuine unified common market by 1992
- 25 June - Commission adopts proposals for the creation of a European Community for Technology

28/29 June, 1985

MILAN  european council

-1-

Commission of the European Communities  
Service of the Spokesman

(4)

Brussels, June 1985.

COMPLETING THE INTERNAL MARKET (1)

Introduction

1. The Heads of State and Governments at the European Council meeting in Copenhagen in 1982 pledged themselves to the completion of the Internal Market as a high priority. The pledge was repeated at Fontainebleau in June 1984; at Dublin in December of that year; and most recently in Brussels, in March 1985, when the European Council called upon the Commission to draw up a detailed programme with a specific timetable for completing the single market by 1992. That is what the Commission's White Paper is about. It sets out the essential and logical consequences of accepting the European Council's commitment, together with an action programme for achieving the completion of the Internal Market by 1992.
2. The Commission's analysis is directed primarily to the objective of welding together the ten, soon to be twelve, individual markets of the Member States into one single market of 320 million people. It also recognizes the need to ensure that this single market will also be an expanding and flexible one. It divides the actions required into three categories:
  - the removal of physical barriers;
  - the removal of technical barriers;
  - the removal of fiscal barriers.

There is of course a measure of overlap: thus physical barriers are often as not a reflection of technical or fiscal barriers. Nevertheless, this is a useful and convenient approach to addressing the measures that need to be taken.
3. The objective is not merely to continue to simplify existing procedures, but to do away with physical, technical and fiscal barriers in their entirety. The reason for this is not one of theology or appearance, but the hard practical fact that the maintenance of any internal frontier controls will perpetuate the waste and disadvantages of a divided market; the more the need for such controls diminishes - short of total elimination - the more disproportionate become the costs, expenses and disadvantages of maintaining the frontiers and a divided market. In order to achieve the objective, a major and qualitatively different approach is required.

Part One : The Removal of Physical Barriers

4. It is the physical controls at the customs posts, the immigration controls, the passports, the occasional search of personal baggage, which to the ordinary citizen are the most obvious manifestation of the continued division of the Community. These barriers are equally important to trade and industry, commerce and business. They impose an unnecessary burden flowing from delays, formalities, transport and handling charges thus adding to costs and damaging competitiveness.
5. Where the underlying causes which give rise to controls on goods consist partly of national policies and partly of common policies which are not yet fully developed, achieving the objective will require national policies either to be progressively relaxed and ultimately abandoned where they are no longer justified or replaced by truly common policies applicable to the Community as a whole. Community policies which are not yet fully developed will have to be amended so as to obviate the need for controls at internal frontiers.
6. Thus, as regards commercial policy measures which affect Member States individually, for example residual import quotas maintained by some Member States, the Commission believes that a not unreasonable aim would be the full exercise by 1992 of the powers transferred by the Treaty to the Community and the strengthening of the common commercial policy in such a way that all national protection measures and regional quotas set up by the Community could be abolished. The Commission recognizes, however, that this may present real difficulties and that ways other than controls at the frontier may have to be found for solving any residual problems. In the agricultural sector, monetary compensatory amounts and countervailing charges which demand controls at internal frontiers will need to be abolished through the development of the Common Agricultural Policy by, for example, making provisions for the automatic alignment of agricultural prices in the case of monetary realignment.
7. Turning to health protection, an early step towards eliminating veterinary and plant health checks at internal frontiers would be to limit such controls to places of destination. Subsequently, a major effort at Community and Member States level will be needed to achieve common levels and policies for veterinary and plant health and to align national standards to common standards as much as possible.
8. Other internal frontier controls have to do either with the administration of transport policy or with safety requirements. Transport quotas will need to be progressively relaxed and abolished, and common safety standards for vehicles adopted, in order to eliminate systematic controls.

9. In order to eliminate these and other physical controls on goods, the Commission proposes a two-stage approach be adopted: in the first stage, the emphasis would be wherever possible to shift controls and formalities away from the internal frontiers by 1988. The second stage would be given over to the further coordination of policies and the approximation of legislation.
10. As regards the elimination of barriers to the freedom of movement of individuals, the Commission will as a first step be proposing measures to eliminate by 1988 checks on Community citizens leaving one Member State when entering another. By 1992, the Commission wishes to arrive at the stage whereby checks on entry are also abolished for Community citizens arriving from another Community state. To this end, directives will be proposed concerning the approximation of arms and drugs legislation; measures applicable to non-Community citizens; and on visa policy. The Commission shares the legitimate concerns of the Member States about the need for action against terrorism and the illicit trade in drugs and is well aware of the role of internal frontier posts in this respect. However, frontier controls are by no means the only or indeed the most effective measures in this regard and alternative means will need to be found or, where they exist, strengthened.

#### Part Two : The Removal of Technical Barriers

11. The elimination of internal frontier controls, important as it is, does not of itself create a genuine common market. Goods and people moving within the Community should not find obstacles inside the different Member States as opposed to meeting them at the border. The barriers to the free movement of goods and services, created by different national regulations and standards have a double-edged effect: they not only add extra costs, but they also distort production patterns, increase unit costs, increase stock holding costs and discourage business cooperation. Community action on the creation of common rules has historically focused on harmonisation, but experience suggests that a genuine common market cannot be realised by 1992 if the Community relies exclusively on Article 100 of the EEC Treaty. Where action continues to be taken under this Article, it would clearly be quicker and more effective if the Council were to agree not to allow the unanimity requirement to obstruct progress where it could otherwise be made.
12. The Commission therefore proposes to apply more widely the mutual recognition strategy which has led to the new approach to standardization recently endorsed by the Council. The principles on which this new strategy is based are that:

./..

- a clear distinction needs to be drawn in future internal market initiatives between what it is essential to harmonise and what may be left to mutual recognition of national regulations and standards as supported by Articles 30-36;
- legislative harmonisation (Council Directives based on Article 100) will in future be restricted to laying down essential health and safety requirements which will be obligatory in all Member States;
- harmonisation of industrial standards by the elaboration of European Standards will be promoted to the maximum extent, but the absence of European Standards should not be allowed to be used as a barrier to free movement. During the waiting period, while European Standards are being developed, the mutual acceptance of national standards, with agreed procedures, should be the guiding principle.

13. In furtherance of its new strategy, the Commission is taking steps to strengthen the capacity of European Standards bodies and proposes that the Council generally should off-load technical matters by making more use of its powers of delegation under Article 155 of the EEC Treaty, as recommended by the European Council. This general policy will put particular emphasis on the information technology, construction and foodstuffs sectors.

14. The principle of liberalisation of public procurement already flows from the EEC Treaty but evidence shows that there has been minimal application of derived legislation. In order to stimulate a wider opening up of tendering for public contracts, there is a serious and urgent need for improvement of the relevant Directives to increase transparency further. Priority should be given to a system of prior information; to publication of the intention to use single tender procedures; to publication of the award of contracts; and to improved quality and frequency of statistics. Steps will also need to be taken by 1992 to extend the coverage of legislation to include four major sectors: energy, transport, water and (in the case of supply contracts) telecommunications - not at present covered. The Commission will also submit proposals before 1987 to open up public procurement in the field of public services.

15. The Commission considers it crucial that the obstacles which still exist within the Community to free movement for labour and the professions be removed by 1992. In the case of employees, such freedom of movement is almost entirely complete but where problems still exist, for example for migrant Community workers, and where cumbersome administrative procedures remain, for

example on residence permits, the Commission intends to make proposals. In the field of rights of establishment for the self-employed, little progress has been made, the main reason being the complexities involved in the endeavour to harmonise professional qualifications. The Commission will propose a draft framework Directive on a general system of recognition in the course of this year.

16. In the Commission's view, it is no exaggeration to see the establishment of a Common Market in services as one of the main preconditions for a return to economic prosperity. Trade in services is as important for an economy as trade in goods and yet the importance of services and the role of providers of services has long been undervalued. Although freedom to provide services in the Community has been directly applicable since the end of the transitional period, firms and individuals have not yet succeeded in taking full advantage of this freedom. For these reasons, the Commission considers swift action should be taken to open up the whole market for services, both new (for example, information marketing) and so-called traditional services (for example, transport, banking and insurance). The Commission emphasises that measures needed to open up the banking and insurance and transport sectors are already before the Council but await its decision.
17. The liberalisation of financial services, linked to that of capital movements, will represent a major step towards Community financial integration and the widening of the Internal Market. The Commission considers that it should be possible to assist the exchange of "financial products" such as insurance policies, house-ownership, savings contracts and consumer credit, by coordinating minimal rules as the basis for mutual recognition by Member States of what each does to safeguard the interests of the public. The primary task of supervising financial institutions should rest with the competent authorities of the Member State of origin.
18. As regards insurance undertakings, a legislative basis already exists for their free movement across internal frontiers. Furthermore, a proposal for a Directive intended to facilitate the exercise of freedom of services in non-life insurance awaits adoption by the Council. In the securities sector, the proposal on the coordination of rules applicable to undertakings for collective investment in transferable securities (UCITS) is aimed at providing equivalent safeguards for investors in respect of the unit trusts issued by UCITS, irrespective of the Member State in which the UCITS is situated. Apart from this proposal, other work remains to be done to ensure that securities markets operate satisfactorily and in the best interests of investors.

19. The right to provide transport services freely throughout the Community is an important part of the Common Transport Policy set out in the Treaty. In addition to the measures already mentioned in the context of the elimination of internal frontier checks in road haulage traffic, proposals will be made on, inter alia, the abolition of all quantitative restrictions (quotas) for the transport of goods by road between Member States; further liberalisation by 1989 of road transport passenger services and by the end of 1986 of sea transport services; and by 1987, competition in air transport services.
20. The development of new technologies has led to the creation and development of new cross-border services, for example, audio-visual information and data-processing services, which are playing an increasingly important role in the economy. In the field of audio-visual services, the Commission considers the Community objective should be to seek to establish a single Community-wide broadcasting area. As a result of the development of broadcasting within essentially national frameworks, legal obstacles lie in the path of developing broadcasting activities across the internal frontiers. A Commission Green Paper was adopted in May 1984 on the establishment of the Common Market for broadcasting. The Commission will be submitting proposals during 1985.
21. The information market is also undergoing far-reaching changes as a result of the application of new technologies. Information itself and information services are becoming more and more widely traded and valuable commodities. The information market has been supported by a series of programmes decided by the Council, but a satisfactory internal market requires more, namely a common policy and strategy within which a transparent regulation and transparent conditions can be built. The Commission will be making proposals and guidelines in the period 1985-1987.
22. A number of Member States have had to make use of the protective clauses provided for in the Treaty (Articles 73 and 108(3)) to maintain or reintroduce restrictions on capital movements which are in principle liberalised under Community law. Generally speaking, however, capital now moves more freely in the Community than at the end of the 1970's. The Commission intends to step up its monitoring of any exchange control measures which, while not infringing Community obligations to liberalise capital movements, nevertheless constitute a potential obstacle to payments relating to normally liberalised trade in goods, services or capital. By 1992, all currency controls will need to be applied by means other than frontier controls.
23. The removal of internal boundaries and the establishment of free movement of goods and capital and the freedom to provide services are clearly fundamental to the creation of the internal market.

Nevertheless, Community action must go further and create an environment or conditions likely to favour the development of industrial cooperation. To this end, the Commission will continue to take steps to deal with any distortion of competition through partitioning of markets by means of agreements on business practices or undisclosed aid from public funds and will seek to ensure that Community budgetary and financial facilities make their full contribution to the development of cooperation between firms in different Member States.

24. In addition the Commission will be making detailed proposals aimed at the creation of a legal framework facilitating cooperation between enterprises and is now setting the stage for a new type of association to be known as the "European Economic Interest Grouping" that will be governed by uniform Community legislation and will make it easier for enterprises from Member States jointly to undertake certain activities. Finally, the Council must in due course take a decision on the proposed Statute for a European Company.
25. Difference in intellectual property laws have a direct and negative impact on intra-Community trade and on the ability of enterprises to treat the common market as a single environment for their economic activities. It will be necessary, as a first step, to reach a decision on the Community Trademark proposal and on the proposal approximating national trade laws. In order to allow the Community Trademark System to be adopted by the Council in 1987, the Commission will be making the necessary supplementary proposals on, for example, the rules implementing the regulation. The Commission also intends to propose measures concerning patent protection of biotechnological inventions and the legal protection of microcircuits, the latter as a matter of urgency, in 1985. Also in 1985, a consultative document dealing with problems in the field of copyright and related rights, will be published.

### PART THREE : THE REMOVAL OF FISCAL BARRIERS

26. A major function performed by the customs authorities at internal frontier posts - or within the Member State where formalities and checks take place inland - is to ensure that the indirect taxation system of the Member State in question (VAT, Excise duties) continues to operate. It follows that from the customs viewpoint, the problem of removing controls at internal frontiers is largely related to that of removing the underlying fiscal barriers that give rise to the need for controls.
27. The removal of frontier controls is bound, therefore, to have inescapable implications for the Member States as far as their indirect taxes are concerned. The adjustments that will be needed

to solve the practical problems that arise are also very much in line with the terms of the commitment undertaken by those who signed the Treaties and with historical developments since then.

28. Indirect taxes, whether in the form of VAT or excises, enter more or less directly into the final price of the goods or services on which they are imposed. Different levels of taxation are therefore reflected in different price levels. If the differences in level are substantial, the differences in final prices will also be substantial, though small differences can often be absorbed either in margins or by consumer indifference. Given the relationship between prices and levels of indirect taxation, the question arises whether or not it would be practicably possible, in the absence of frontier controls, for Member States to charge significantly different levels of taxation.
29. The only conclusion that can be drawn from the Commission's detailed analysis of this question is that no means exist of removing the frontier controls and thus the frontiers if there are significant tax (VAT or excise) differentials and corresponding price differences between the Member States. The removal of the frontiers together with the associated controls will require, for practical reasons, not only the setting up of a Community Clearing House System for VAT and a linkage system for bonded warehouses for excised products, but also a considerable measure of approximation of indirect taxes. No one would pretend that fraud and evasion do not occur at present or that they would not continue even if tax rates and coverage were approximated. But the scale on which it could occur after the abolition of internal frontier controls without approximation would be unacceptably large.
30. The next question that has to be answered is how close does approximation have to be? The short answer is that it must be sufficiently close that the operation of the common market is not affected through distortions of trade, diversion of trade and effects on competition. Evidence shows that some variations can be accommodated; but in order to take account of market forces, these need to be limited in scale, with differences at frontiers of up to 5% co-existing without undue adverse effects. This would suggest a margin of +/- 2 1/2 per cent either side of whatever Target Rate or Norm is chosen. It will, however, require a great deal of statistical and econometric work before specific proposals can be put forward and the figures quoted are by way of illustration only.
31. The broad approach must now be for the Council to agree that ways must be found to ensure that the adjustment that will be required when internal frontier controls are abolished in 1992 is not too abrupt and that the interim period be put to best possible use. A good start would be provided by Council agreement to intensify efforts at completing work on the VAT base and the structure of the excises, mainly on the basis of proposals already presented by the Commission. Simultaneously, the Commission will put

forward a standstill proposal to ensure that existing differences with respect to the number of VAT rates and the coverage of excises are not widened.

32. A next step which we would hope could be taken in 1986 will be for the Commission to present Target Rates or Norms together with proposed ranges of variation. Member States will then have the option of moving a given indirect tax immediately or in a series of shifts towards the common rate band. During the same period further consideration will need to be given to existing derogations which have distorting effects on the Internal Market to see whether they need to be continued. The administrative arrangements necessitated by the new proposals will need to be put into place.
33. The Commission recognises that the approximation of indirect taxation will give rise to considerable problems for some Member States; and that as a consequence it may be necessary to provide for derogations. There are areas of considerable political sensitivity which may have to be accommodated in this way. Nevertheless, it is in the general interests of the Community that such derogations should be kept to the minimum.

ANNEX

Timetable

The Commission's White Paper sets out the essential and logical consequences of accepting the European Council's repeated commitment to completing the internal market by 1992, together with an action programme of the measures needed to meet that objective.

These measures which aim to eliminate barriers of all kinds (physical, technical and fiscal) would have an impact, directly or indirectly, on the lives of all Community citizens and on the functions of Community enterprises of all kinds. By 1992, Community citizens would for the first time be free to move within the Community without systematic checks on identity or personal belongings; goods would be freed of all controls at internal frontiers; Community manufacturers would be able to market freely their goods on the basis of common standards throughout the Community; and enterprises would be relieved of the current obstacles to providing cross-border services.

The internal market clearly cannot be completed at a stroke, but progress towards the objective would be discernable at an early stage. For example, by 1986 controls on quotas for transport by road at internal frontier posts would be abolished; by 1987 the Community Trade Mark would be created; by 1988 checks on Community citizens when leaving one Member state for another would be eliminated; by 1989 markets for public procurement in the services fields would have been opened up; and by 1990, all obstacles to the free circulation of pharmaceutical products would have been removed. In the interim period, the foundations of a genuine common market will be laid progressively so that the adjustments required when the frontier controls are finally dismantled in 1992 are not too abrupt.

REMOVAL OF PHYSICAL CONTROLS AT INTERNAL BORDERS

<u>Commercial traffic</u>	<u>Adoption by Council (1)</u>
Abolition of certain controls:	
- fuel in tanks	1985
- single administrative document	1985
- quotas	1986
- passenger transport authorization	1986
- veterinary controls	1988

(1) The measures and dates given in the timetable correspond to those indicated in the body of the White Paper. The timetable includes measures which, though not necessarily mentioned in the White Paper, have already been proposed to the Council and remain an essential part of the Commission's programme for completing the Internal Market.

<u>Commercial Traffic</u>	<u>Adoption by Council</u>
Completion of work leading to abolition of remaining import formalities and controls on goods between Member States :	
- elimination of veterinary controls (show of certificates)	1988/1990
- tax approximation on V.A.T. and excise duties	1988/1990
- elimination of all national protection measures (cf. article 115)	1989
- statistical harmonisation	1990

<u>Individual Travellers</u>	
- exemption of goods carried up to 400 ECU	1985
- coordination :	
on arms legislation	1988
on drugs "	1989
on registration of persons	1990
on refugees an asyleum	1990
on visa policies	1990
on extraditions	1991
- leading to :	
- common border posts	1986
- directive on complete abolition of controls at internal border	1992

REMOVAL OF TECHNICAL BARRIERS

<u>standards</u>	
- updating of existing framework directives : (safety more particularly with regard to machiners' safety).	1986/1997

<u>approximation of laws</u>	
- low polluting car	1985/1987
- EEC type approval for all remaining categories of motor vehicles	1990
- food law	1985/1990
- pharmaceuticals	1989

<u>public procurement</u>	up to	
- extension of directives to new sector, telecom, energy		1988
- electricity and water supply		1990

<u>free movement for labour and professions</u>	
- migrant workers (residence)	1987
- taxation of frontier workers	1987
- vocational training	1985
- student mobility	1986
- cooperation between university and industry (COMETT)	1986

<u>services</u>	
- banks and financial establishments	
9 directives and recommendations	1990
- insurance	
9 directives	1991

Adoption by Council

REMOVAL OF FISCAL BARRIERS

- Stanstill 1985
  - no new VAT rates in Member States
  - no widening of the gap between VAT rates in each Member State;
  - no introduction of new excise duties which give rise to border formalities;
  
- Value Added Tax 1986
  - 14th Directive on postponed accounting for imports
  - special schemes for small businesses
  - flat rate farmers
  - passenger transport
  
- Common VAT base 1986
  - 7th VAT Directive concerning works of art, collectors' items, antiques and used goods
  - 12th VAT Directive concerning expenditure on which tax is not deductible
  - 13th VAT Directive concerning tax refunds to persons not established in the Community
  - 14th VAT Directive concerning postponed accounting at importation
  - 16th Directive concerning imports by final consumers of goods which have already borne tax in another Member State
  - 17th VAT Directive concerning the temporary importation of goods other than means of transport
  - 18th VAT Directive concerning the abolition of certain derogations
  - Directive on stores carried in ships, aircraft and international trains
  
- 1987
  - Directive concerning the number of rates
  - Directive fixing the common rates band(s) and stand-still arrangement
  - Proposal concerning abolition of derogations with distortive effects
  
- 1988/1992
  - Gradual abolition of remaining derogations and approximation of rates
  - Establishment of a VAT clearing mechanism
  
- Excise duties 1985
  - Directives harmonising the structure of excise on duties on alcoholic drinks
  - Directive on the structure 1986 of excises on mineral oils.

Adoption by Council

- Harmonisation of the structure of duties on cigarettes and on other manufactured tobacco 1987
- Common rate bands and stand-still arrangement
- Gradual implementation of common structure of excise taxation 1988/1992
- Gradual abolition or reduction of excises not covered by the Common System and giving rise to border formalities
- Gradual approximation of rates
- Introduction of a linkage of national bonded warehouses for excised goods.

28/29 June, 1985

MILAN

European Council

-1-

(17)

Commission of the European Communities  
Service of the Spokesman

Brussels, June 1985.

A GENUINE COMMON MARKET BY 1992

The Commission's white paper on the completion of the internal market by 1992 \*

A RENDEZ-VOUS IN MILAN. Within 10 days of taking office, President Delors told the January session of the European Parliament that the Commission had set itself the bold target of removing the internal frontiers controls by 1992. He promised - and the Heads of State and Government meeting in Brussels in March required - detailed proposals in time for the Milan meeting of the European Council at the end of June. The Commission has kept its promise - and on time. The White Paper is its answer to the challenge it set itself.

Introduction

ACTION TO MEET WORDS. From the words of the Treaty themselves through successive declarations by the European Council since 1982, the need to complete the internal market has been reaffirmed at the highest level. What has been missing has been an agreed target date and a detailed programme for meeting it. The Commission has welcomed the challenge of providing the missing piece. It has interpreted the challenge in the most comprehensive way possible : the creation by 1992 of genuine common market without internal frontiers. Its approach has been to provide detailed proposals to remove the remaining barriers to completing the internal market, while also thinking through the consequences of dismantling the frontier controls. For the purposes of analysis, the barriers to be removed have been divided into three categories: physical, technical and fiscal.

Physical barriers

ABOLITION NOT ALLEVIATION. The Commission has not shied away from the challenge as formulated : the total abolition - not simply the alleviation - of frontier controls by 1992. The Commission's starting point is that the internal frontier posts will have disappeared completely. It is not enough to reduce the number of controls currently carried out at frontiers. So long as there remains any reason whatever for requiring people and goods to stop and be checked, the main objective will not have been met : goods and citizens will not have been relieved of the costly delays and irritations of potential hold-ups at frontiers - a real Community will not be created.

---

(\*) COM(85) 310

NO STONE UNTURNED. The White Paper therefore conducts an in depth analysis of all the fonctions currently carried out at frontiers posts. It identifies those functions that could or should be unnecessary inside a genuine and completed common market; and, where the purpose behind the frontier control continues to be considered essential, the Paper indicates other ways in which the purpose might be achieved without border posts. It does not duck the logical consequences of abolishing frontiers even where this involves straying into sensitive areas such as fiscal policy and the fight against drugs and terrorism. It recognises frankly that these are difficult areas, that will pose real problems, but maintains its conviction that the target justifies the effort that will be required to solve them.

Technical barriers

THE HIDDEN OBSTACLES. The removal of the frontiers, already an ambitious project will loose much of its point if the citizens and enterprises of Europe continue to find inside the Member States the sort of hidden obstacles that today prevent the free movement of goods and people that a real Community should mean. The White Paper analyses these technical barriers and makes proposals for dismantling them according to a detailed timetable. These proposals cover in particular goods, services, the free movement of labour and the professions, public procurement, capital movements and the creation of conditions for industrial cooperation.

(i) goods - HARMONIZE ONLY WHERE IT REALLY MATTERS  
 Subject to certain important health and safety related constraints and safeguards the new approach will be if goods are lawfully manufactured and marketed in one Member State there is no reason why they should not be sold freely through out the Community. The Commission's new approach to standardization will be applied and extended.

(ii) services - NO LONGER THE CINDERELLA. Despite the terms of the Treaty there has so far been far slower progress for the freedom to provide services, as opposed to goods, across the Community. This must change. Indeed the distinction between goods and services has never been a good one and the Community has weakened its own economic potential by maintaining it. Growth and prosperity require the mobilization of all the resources available. The service industry is not only growing fast as a value - adding - provider of employment in its own right, it also provide vital support and strengthening for the manufactured industry. This is true already for the "traditional" services - banking, insurance and transport - but also for the new areas such as information, marketing, and audiovisual services. The White Paper contains proposals and a timetable for action, covering all these service area between now and 1992.

(iii) labour and the professions - "DON'T FEAR THE FELLOW CITIZEN FROM THE COMMUNITY". The freedom of establishment given to the medical profession has shown that the worries expressed by professional circles in the Community were unfounded. The same will be true for the architectural profession where the Commission's proposal has just been endorsed by the Council, overcoming 18 years of protectionist lobbying and exaggerated defensive arguments. The White Paper makes a strong case for the Community's citizens to be free to engage in their professions and business anywhere in the Community where they choose to do so.

#### Fiscal barriers

FRONTIER ABOLITION WITHOUT TRADE DISTORTION. A major consequence of accepting the challenge of 1992 will be in the fiscal area. Existing patterns of indirect taxation between neighbouring Member States reveal differences in levels that in some cases are too large to avoid the danger of trade distortion and consequent loss of revenue to Member States' exchequers. The White Paper draws attention to this problem and promises to undertake further work on possible solutions with a view to putting the interim period to the best possible use and avoiding too abrupt an adjustment taking place when the frontier controls are finally dismantled in 1992. It also seeks an early commitment from Member States to refrain from any action in their national fiscal policies that will widen existing differences and make the task more difficult.

#### Conclusion

The Commission believes that the Community today should be capable of showing the same political will which inspired it, in the early days after the Treaty was signed, to complete the no less difficult task of creating the Customs Union according to a firm and demanding timetable. The White Paper attempts to show what needs to be done and the consequences of doing it. The Commission has fulfilled its promise to the Parliament and met the requirements laid down by the Brussels' European Council. It invites the Head of State and Government to endorse its programme at the highest level so that the target of 1992 can be honoured.

ANNEXTimetable

The Commission's White Paper sets out the essential and logical consequences of accepting the European Council's repeated commitment to completing the internal market by 1992; together with an action programme of the measures needed to meet that objective.

These measures which aim to eliminate barriers of all kinds (physical, technical and fiscal) would have an impact, directly or indirectly, on the lives of all Community citizens and on the functions of Community enterprises of all kinds. By 1992, Community citizens would for the first time be free to move within the Community without systematic checks on identity or personal belongings; goods would be freed of all controls at internal frontiers; Community manufacturers would be able to market freely their goods on the basis of common standards throughout the Community; and enterprises would be relieved of the current obstacles to providing cross-border services.

The internal market clearly cannot be completed at a stroke, but progress towards the objective would be discernable at an early stage. For example, by 1986 controls on quotas for transport by road at internal frontier posts would be abolished by 1987 the Community Trade Mark would be created; by 1988 checks on Community citizens when leaving one Member state for another would be eliminated; by 1989 markets for public procurement in the services fields would have been opened up; and by 1990, all obstacles to the free circulation of pharmaceutical products would have been removed. In the interim period, the foundations of a genuine common market will be laid progressively so that the adjustments required when the frontier controls are finally dismantled in 1992 are not too abrupt.

REMOVAL OF PHYSICAL CONTROLS AT INTERNAL BORDERS

<u>Commercial traffic</u>	<u>Adoption by Council (1)</u>
<b>Abolition of certain controls:</b>	
- fuel in tanks	1985
- single administrative document	1985
- quotas	1986
- passenger transport authorization	1986
- veterinary controls	1988

(1) The measures and dates given in the timetable correspond to those indicated in the body of the White Paper. The timetable includes measures which, though not necessarily mentioned in the White Paper, have already been proposed to the Council and remain an essential part of the Commission's programme for completing the Internal Market.



Adoption by CouncilRemoval of fiscal barriers

- |  |      |
|--|------|
| <u>Stanstill</u>   | 1985 |
| <ul style="list-style-type: none"> <li>- no new VAT rates in Member States</li> <li>- no widening of the gap between VAT rates in each Member State;</li> <li>- no introduction of new excise duties which give rise to border formalities;</li> </ul>   |      |
| <u>Value Added Tax</u>   | 1986 |
| <ul style="list-style-type: none"> <li>- 14th Directive on postponed accounting for imports</li> <li>- special schemes for small businesses</li> <li>- flat rate farmers</li> <li>- passenger transport</li> </ul>   |      |
| <u>Common VAT base</u>   | 1986 |
| <ul style="list-style-type: none"> <li>- 7th VAT Directive concerning works of art, collectors' items, antiques and used goods</li> <li>- 12th VAT Directive concerning expenditure on which tax is not deductible</li> <li>- 13th VAT Directive concerning tax refunds to persons not established in the Community</li> <li>- 14th VAT Directive concerning postponed accounting at importation</li> <li>- 16th Directive concerning imports by final consumers of goods which have already borne tax in another Member State</li> <li>- 17th VAT Directive concerning the temporary importation of goods other than means of transport</li> <li>- 18th VAT Directive concerning the abolition of certain derogations</li> <li>- Directive on stores carried in ships, aircraft and international trains</li> </ul> |      |
| <ul style="list-style-type: none"> <li>- Directive concerning the number of rates</li> <li>- Directive fixing the common rates band(s) and stand-still arrangement</li> <li>- Proposal concerning abolition of derogations with distortive effects</li> </ul>  |      |
| <ul style="list-style-type: none"> <li>- Gradual abolition of remaining derogations and approximation of rates</li> <li>- Establishment of a VAT clearing mechanism</li> </ul>   |      |
| <u>Excise duties</u>   | 1985 |
| <ul style="list-style-type: none"> <li>- Directives harmonising the structure of excise on duties on alcoholic drinks</li> <li>- Directive on the structure 1986 of excises on mineral oils.</li> </ul>  |      |

Adoption by Council

- Harmonisation of the structure of duties on cigarettes and on other manufactured tobacco 1987
- Common rate bands and stand-still arrangement
- Gradual implementation of common structure of excise taxation 1988/1992
- Gradual abolition or reduction of excises not covered by the Common System and giving rise to border formalities
- Gradual approximation of rates
- Introduction of a linkage of national bonded warehouses for exised goods.

28/29 June, 1985

MILAN  European Council

-1-

Commission of the European Communities  
Spokesman's Service

(24)

Brussels, June 1985

## MAIN INSTITUTIONAL PROBLEMS OF THE COMMUNITY

---

### PRINCIPAL DEFICIENCIES

---

1. The Community's institutional problems concern three main areas:
  - the decision-making system
  - the Commission's executive role
  - the role of Parliament

#### Decision-making system

---

2. The Treaties set up an original system based on the concept of Community interest. Its main features are :
  - the Commission alone has the power of initiative;
  - the Council decides, usually by a qualified majority, on the Commission proposals, which can be altered only by unanimous vote (but the Commission may amend its proposals in order to obtain a majority in the Council).
3. In fact the system has never been applied in this form.
4. The institutional crisis of 1965/66 and the "Luxembourg compromise" profoundly changed the way in which the Community operates. This "compromise" was in reality an agreement to disagree. Five Member States felt that if a "very important interest" was invoked the Council should try to find a solution which was acceptable to all the Member States but that in the last analysis the rules in the Treaty should be applied; the sixth Member State, however, considered that discussion should continue until a unanimous agreement had been reached. Three of the new Member States adopted the latter position. In recent years the attitudes of the various Member States have evolved and positions are now sometimes less clearcut.
5. Although, under the terms of the Luxembourg declaration, unanimity should be sought only in cases where a vital interest is involved, i.e. only in exceptional cases (in fact, vital interest has been expressly invoked only rarely), the practice has become general (which suggests that it perfectly suited the requirements of all the national administrations). Majority decisions are generally confined to matters relating to the staff regulations or the budget. Where legislation is concerned, there was no voting until 1969 and since then the Council has voted only sporadically. The procedure introduced in 1975 by the Irish presidency, following the call by the 1974 Summit for an end to the practice of making decisions on all subjects depend on the unanimous consent of the Member States, led to some increase in voting during the period from 1975 to 1977 but did not produce lasting results. In recent years, however, votes have been called more frequently in the Council, mainly to avoid crises resulting from the absence of a decision. Paradoxically, the possibility of taking a vote on major decisions does not preclude the reference to a vital interest in the context of issues which appear of doubtful importance (sharing some hundred tons of herring).

6. The search for unanimity, even on matters of secondary importance, has made the Council machinery more and more cumbersome. It stiffens the delegations' positions unnecessarily, delays decisions which often, when at last they are taken, represent only the lowest common denominator, and in certain cases makes it hard to define an internally-consistent policy (cf. the permanent failure to reconcile decisions on agriculture with budget guidelines).

7. Lastly, the practice of seeking unanimity weakens the Commission's position since it appreciably reduces its room for manoeuvre in the Council (amendment of proposals pursuant to Article 149 of the EEC Treaty). In some cases the extensive Council machinery (meetings of experts sometimes do the Commission's work over again from scratch) even comes close to replacing the Commission in its role as initiator. Under the unanimity system, the compromise is sometimes so far removed from the Commission's proposal that the Commission cannot propose it or even accept it without losing credibility. The presidency's compromises have taken over, and have gradually become normal practice in the final stage of the discussions. The Commission could of course oppose their adoption, where such compromises distort its original proposal, but it has sometimes preferred to accept them on the grounds that even an unsatisfactory decision was better than none at all.

8. The obstacles placed by the unanimity rule in the way of the Council's proper functioning, which were already a real threat in the Community of six, have grown with the successive enlargements. That is why the Commission, since its 1978 "fresco" on enlargement (see point 33), has been proposing with new countries joining, not only a return to majority voting but an extension of the principle, and, more generally, a relaxation of the decision-making procedures.

9. The Member States tried to remedy the poor functioning of the institutions by creating the European Council. Its purpose was to enable the Heads of State or Government to tackle major Community issues and to make major political decisions. Although the European Council has sometimes helped to get things moving again in certain major areas, the Council has also made it deal with day-to-day business, which has affected the position of the institutions responsible for such tasks.

#### Executive role of the Commission

-----

10. Under the system set up by the EEC Treaty, the Commission is the Community's executive body. Article 155 of the Treaty lays down that "in order to ensure the proper functioning and development of the common market, the Commission shall ..... exercise the powers conferred on it by the Council for the implementation of the rules laid down by the latter". In addition, Article 205 provides that "the Commission shall implement the budget, in accordance with the provisions of the regulations made pursuant to Article 209, on its own responsibility and within the limits of the appropriations".

11. In recent years the Council has given the Commission many responsibilities in connection with the implementation of secondary Community legislation. In many cases the Council has sought to ensure that these managerial powers are exercised in close collaboration with the governments of Member States by setting up committees of government representatives attached to the Commission, with the task of issuing opinions on the Commission proposals. This is the case in particular with the management of the common agricultural policy, where a management committee operates for each product category for which there is an EEC market organization. Other similar formulæ, which are sometimes less favourable to the Commission have been devised (regulatory committee procedures, veterinary committee, etc.).

12. Although this system works satisfactorily, Member States have gradually qualified their endorsement on the principle of conferring new powers, with reservations also as to methods. Where new powers are still granted, the conditions attached are very stringent and impractical. The result is that the work of the Council is increasingly encumbered by management tasks. Parliament, for its part, is suspicious of all committee procedures, especially when it comes to implementing the budget. It considers that they give national experts too important a role and would prefer the Commission to be alone responsible for implementing Council regulations.

13. Since the early seventies there have been attempts to induce the Council to confer more executive and managerial powers on the Commission (communique from the 1974 Summit conference; Tindermans report; report of the Three Wise Men, proposals by the Ministers of Foreign Affairs to the European Council following this report, and conclusions of the European Council in December 1980, "fresco II"). None of these attempts produced any real results.

Role of Parliament  
-----

14. The election of Parliament by direct universal suffrage brought out into the open an anomaly in the Community's institutional system. Parliament, which is now directly elected by the people, does not have corresponding powers in the Community decision-making system.

15. Parliament obtained its first real budgetary powers in 1970, and these were expanded in 1975. Although this made it possible to start a dialogue between Parliament and the Council, largely owing to an agreement concluded in 1982 between Parliament, the Council and the Commission on the ways in which they would cooperate, it must be admitted that their relationships are still fraught with conflict. Since its first election in 1979, for example, Parliament has rejected the general budgets for 1980 and 1985 and a supplementary budget for 1982.

16. This confrontation, while it is inherent in the dual nature of the budgetary authority, shows the imbalance which exists as regards Parliament's powers. Even in the budgetary field those powers apply only to certain categories of expenditure. But it is particularly in the legislative field that its role is insufficient.

17. Parliament has tried, by using its budgetary powers, to gain greater control over the Community's law-making activity. The introduction in 1975 of a procedure for "concertation" between Parliament and the Council, in the presence of the Commission, should have enabled Parliament to gain more influence over those legislative instruments which have significant financial implications. This procedure, however, did not work effectively; attempts to improve it have so far failed and in any case it is not sure that they meet Parliament's demands.

18. The result is a situation involving two conflicts. On the one hand, Parliament, because it has no real law-making power, uses its budgetary power to the utmost. On the other, the Council, by refusing to treat Parliament as an equal partner and by holding it responsible for an uncontrolled increase in expenditure, is causing growing irritation on the part of Members of Parliament. The recent conflict surrounding "budgetary discipline" best illustrates this situation.

19. This state of affairs can no longer be dealt with by inter-institutional agreements. It calls for a better balance between the institutions to be defined. Parliament's declared aim is to achieve effective participation in law-making power (which is at present the sole prerogative of the Council, acting on proposals from the Commission after consulting Parliament), in the form of a right of co-decision.

THE SOLUTIONS PROPOSED

20. Over the years a number of proposals have been put forward on ways and means of breaking the institutional deadlock, advocating either a radical reform or particular improvements to the existing system. Apart from the report of the Three Wise Men (No. 32), all the abovementioned proposals would entail amendments to the Treaties.

The Vedel report

21. Following the creation of the Community's "own resources" in 1970 and in anticipation of Economic and Monetary Union, the Commission asked an independent working party, chaired by Mr Vedel, to examine all the various problems relating to increased powers for the European Parliament.

22. The report (1), submitted in March 1972, advocates wider powers for Parliament and institutional changes for the Community:

- the legislative powers of Parliament would be widened in two stages:
  - . firstly, Parliament would receive powers of co-decision on a limited number of subjects together with consultative powers and a suspensory veto on a larger number of subjects;
  - . secondly, the suspensory veto would be changed into real powers of co-decision on all the matters concerned.
- the Council would have to give its reasons for not following the advice of Parliament;
- the intervention of the President of the Commission would be the responsibility of Parliament.

23. In its communication on the second stage of Economic and Monetary Union (institutional aspects), forwarded in April 1973 (2), the Commission advocated, for legislation of a general nature, a procedure whereby draft legislation would be given a second reading by Parliament whenever the Council took action which differed substantially from the advice given on the first reading. This recommendation has not been implemented.

24. Alternatively, the Commission proposed a procedure for consultations between Parliament and the Council on Community legislation of a general nature and with significant financial consequences. This proposal was the subject of a joint statement on 4 March 1975 (3).

#### The 1972 Summit and the reports on European Union

---

25. At the 1972 Summit, the Heads of State or Government set themselves the major objective of transforming, by the end of the decade and in strict compliance with the Treaties already signed, all relations between Member States into a European Union. The nature of this Union was to be defined at a later stage on the basis of reports to be submitted by the Community Institutions.

26. In its report of June 1975 (4), the Commission placed less emphasis on the policies of the Union than on its powers. These powers were to be either exclusive or concurrent (in areas where both the Union and the Member States could act) or potential (areas which might be matters for the Union but which had not originally been assigned to it). At institutional level, the Commission report outlined a federal model with a two-chamber Parliament (lower house elected by direct vote, upper house) and a European Government).

---

(1) Bulletin EC, supplement 4/72

(2) Bulletin EC, supplement 5/73

(3) OJ C89, 22.4. 1975; Bulletin EC 2-1975, point 2501

(4) Bulletin EC, supplement 5/75

27. The consolidated report presented by Mr Tindemans (1) to the European Council at the end of 1975 was along the same lines but its operational proposals were more detailed, account being taken of consultations held in the Member States.

28. Virtually no action was taken, however, to implement these reports, the governments having lost interest in the matter even before they were presented. The only lasting results were a new procedure for appointing the President of the Commission, the setting up of the European Foundation and the drawing up, by the Ministers of Foreign Affairs and the Commission, of an annual progress report and on such progress as could further be made on the various aspects of the Union in the short term.

#### The report of the Three Wise Men

---

29. At the end of 1978 the European Council set up a Committee of "Three Wise Men" (Mr Biesheuvel, Mr Dell and Mr Marjolin) to consider what improvements could be made to the operation of the Institutions with a view to the Community's enlargement to 12 Member States, without any alterations to the existing Treaties.

30. The Wise Men drew up a fairly exhaustive list of institutional imperfections, accompanied by numerous proposals. Their main conclusions may be summarized as follows:

- European Council: to be integrated as far as possible into the normal framework of inter-institutional relations.
- Council: Presidency to be strengthened; to concentrate on genuinely political issues (making wider use of the delegation of powers to the Commission); votes to be called in cases where the Treaty does not require unanimity or where no important interests are at stake; coordinating role of the "General Affairs" Council to be strengthened.
- Commission: more effective exercise of its right of initiative, its role as guardian of the Treaties and its executive and administrative functions, to be achieved by: limiting the number of Commissioners; strengthening collegiate responsibility and interdepartmental coordination; strengthening the authority of the President (to be appointed by the European Council and to be consulted by Governments on the appointment of Members).
- Parliament: the President-in-office of the European Council should appear before Parliament at least once per Presidency.

---

(1) Bulletin EC, supplement 1/76

31. Neither the European Council nor the Council of Ministers have taken any meaningful action on the majority of the proposals put forward by the Three Wise Men, although these proposals were drawn up at the explicit request of the Heads of State or Government. Since December 1981, however, the President of the European Council has addressed Parliament during his term in office.

#### The Genscher-Colombo initiative

---

32. At the end of 1981 the German and Italian Ministers for Foreign Affairs, Mr Genscher and Mr Colombo, proposed that a European instrument should be adopted and signed by the Heads of State or Government of the Ten. This was intended to reiterate the political commitment of the Member States to European Union and to record certain progress made on the operation of the Institutions and on the strengthening of the Community and political cooperation. The Solemn Declaration on European Union (1), which was signed at the European Council in Stuttgart on 19 June 1983, falls well short of these ideals and has not led to any significant changes in the behaviour of the Member States or the operation of the Institutions.

#### Institutional consequences of enlargement

---

33. In its "fresco" of the problems posed by enlargement, presented in April 1978 (2), the Commission pointed out that the enlargement of the Community would necessitate improvements in the operation of the Community Institutions.

34. These ideas were again put forward in a communication to the European Council of November 1982 ("fresco II") (3) and spelled out in detail in a communication sent to the Council in March 1983 (4). These documents stated, amongst other things, that :

- it should be possible to take decisions by a qualified majority in certain cases where the Treaties currently require unanimity, provided that Parliament has approved the Commission's proposal by an absolute majority (art.57 para 2, 99 e 100 Trattato CEE);
- it should be possible to amplify by majority vote any policies the main lines of which have been adopted unanimously on the basis of Article 235 of the EEC Treaty;
- the executive powers of the Commission should be increased and, as a general rule, the Commission would be competent to handle the administration and implementation of rules laid down by the Council; the Council could, however, determine how these powers should be exercised in individual cases, by choosing from a set number of standard committees.

The Council could also reserve the right to exercise certain of these powers directly in specific cases.

---

- (1) Bulletin EC 6-1983, point 1.6.1
- (2) COM(78) 190 final; Bulletin EC, supplement 2/78
- (3) COM(82) 757 final
- (4) COM(83) 116 final

35. In the course of the discussions held in July 1984 on the institutional aspects of the accession negotiations, the Council decided to take no action on the above proposals, which were referred to the Dooge Committee.

The draft Treaty instituting the European Union  
-----

36. This draft, based on an initiative from Altiero Spinelli, and supported by a large number of members of the European Parliament ("Crocodile Club") is much more ambitious. Parliament's Institutional Committee, set up in July 1981 with Mr Spinelli as rapporteur, worked out, after protracted studies and several policy debates in the House, the draft Treaty instituting the European Union. The draft was adopted by Parliament, with a large majority, on 14 February 1984 (1). Sent to the governments and parliaments of the Member States, it has already been warmly endorsed by a number of national parliaments.

37. Parliament's initiative - which is in line with the Commission's 1975 report - avoids the step-by-step approach but recommends a new Treaty. Its aim is to redefine, on the basis of the "acquis communautaire" and commitments entered into under the political cooperation arrangements, the responsibilities allocated respectively to the European Union and to the Member States, and the equilibrium between the institutions. The task would be to update the Treaties by including in them new areas of responsibility requiring common European policy, to muster together in a single and clear institutional framework the various existing forms of integration or cooperation (Community, political cooperation, etc.) and to make the institutions more democratic, more effective, and more responsible than they now are.

38. With regard to the institutions, the draft Treaty includes the following points :

- Under a co-decision system, Parliament and the Council share law-making (Article 38) and budgetary (Article 76) powers.
- As a general rule, the Council acts by qualified majority. There is a clause to the effect, however, that during a ten-year transitional period, the Member States may invoke a vital interest in order to defer voting and review the question. The interest claimed as vital must be recognized as such by the Commission and the reasons for requesting deferment must be published.
- The Commission would have a very important role to play throughout the law-making procedure (Article 28, 37 and 38), even if it would no longer have an absolute monopoly with regard to the right of initiative.
- The Commission's role as executing body is firmly endorsed (Articles 28 and 40).

-----  
(1) OJ C 77, 19 March 1984; Bull. EC 2-1984, point 1.1.2.

The Fontainebleau mandate and the report from the Dooge Committee

---

39. Speaking in Parliament as President-in-Office of the European Council, Mr Francois Mitterrand, President of the French Republic, said on 24 May 1984 that France was prepared "to examine and to defend your draft, which, in its underlying motivation, it approves". He suggested that preparatory conversations should be started for this purpose. Further to this initiative, the European Council agreed, when it met in Fontainebleau on 25 and 26 June 1984, to set up an ad hoc committee of personal representatives of the Heads of State or Government plus the President of the Commission "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".

40. The ad hoc committee, chaired by Mr Dooge, submitted an interim report to the Dublin European Council in December 1984 and made its final report to the European Council on 19 March 1985. The report suggests how these reforms could be implemented (organization of an intergovernmental conference to negotiate a draft Treaty on European Union). Some points in the report include reservations or observations from committee members; however, the great majority of them endorsed without reservation all the reforms proposed.

41. As to the policies, the report describes Community action in various fields such as the completion of a genuine internal market and the establishment of a technological Community, and comes out in favour of a stronger European Monetary System. At the same time it reaffirms the principle of "own resources" and points to new areas of activity, e.g. policy with regard to culture. It also provides for the development of political cooperation with a view to a common external policy and proposes measures concerning security and defence.

42. The report advocates the following changes in the operation of the institutions:

- decision-making facilitated within the Council, in which - this is the option supported by most of the Committee members - majority voting should become the general rule, the unanimous vote being confined to exceptional cases, much fewer than those allowed by the present Treaties;
- strengthening of the Commission's powers, in particular by the extension of its executive responsibilities and by changes in appointment procedures;
- an increased role for Parliament, including its effective involvement in the law-making power - the area of which will be specially defined - in the form of decision-making power shared with the Council;
- consolidation of the role of the Court of Justice.

43. Lastly, with regard to the method by which European Union can be achieved, the report proposes that an intergovernmental conference be convened "to negotiate a draft European Union Treaty based on the 'acquis communautaire', the present document, and the Stuttgart Solemn Declaration on European Union and guided by the spirit and method of the draft Treaty voted by the European Parliament". The Commission will take part in the negotiations; Parliament will be closely associated with the Conference, the results of which will be submitted to it.

28/29 June, 1985

MILAN  european council

- 1 -

Commission of the European Communities  
Service of the Spokesman

(33)

OUTLINE OF THE PRINCIPAL RESEARCH PROGRAMMES OF THE  
EUROPEAN COMMUNITY

---

ESPRIT

(European Strategic Programme for Research and Development in Information Technology)

Duration of first phase : 1984 - 1988,

Expected overall duration : 10 years,

Budget : 1 500 million ECU, 750 million of which are borne by the Community.

Research programme on information technologies covering five major fields of action, including three in basic technologies - advanced microelectronics, advanced information processing and software technology - and two on specific applications : office automation and computer-aided manufacture.

Once a year, during the first five-year phase, proposals are invited for the selection of transnational projects involving at least two partners (industrial firms, research laboratories, university institutes) established in different Member States.

The Community contributes 50% to the cost of the projects.

In 1983, 38 projects were accepted for the pilot phase which has an overall budget of 23 million ECU.

In 1984, 104 projects were selected, costing a total of 360 million ECU and each involving an average of five partners from different countries.

Projects for 1985 are under examination and a budget of 430 million ECU has been earmarked.

RACE

(Research and Development in Advanced Communications Technology for Europe)

Initial definition phase : mid-1985 - 1986.

Budget for the initial phase : 42.9 million ECU, 22.1 million of which is to be borne by the Community.

The definition phase of the advanced telecommunications technology research programme has a twofold objective :

- the development of a European reference model for integrated broadband communications, in other words, the preparation of a telecommunications infrastructure in Europe capable of offering existing services and a variety of new services (speech, data and image transmission);
- development of the basic technologies required for this reference model (eight priority areas : very-high-speed and highly complex integrated circuits, opto-electronics, components, software, etc.).

JUNE 1985

Then follow RACE phases I (1986-91) and II (1991-96) resulting in the setting up, throughout the Community, of a major integrated broadband communications infrastructure.

BRITE

(Basic Research in Industrial Technologies for Europe)

Duration : 1985 - 1988

Budget : 125 million ECU from the Community, plus at least as much again from industry.

Research programme aimed at applying new technologies to traditional industries and stimulating cooperation between European industry in order to improve competitiveness.

Areas involved : laser technology, catalysis, particle technology, joining techniques, reliability, wear and deterioration, modelling, new materials, etc.

In response to the first call for proposals, 566 projects were submitted, each involving an average of four partners.

JET

(Joint European Torus), a joint European enterprise forming part of the Controlled Thermonuclear Fusion programme.

Duration : 1985 - 1989

Total budget : 690 million ECU.

This experimental machine, designed to explore the scientific feasibility of generating fusion energy for civil use, leads the world in size and performance achieved : on 5 June 1985, JET produced a discharge of five million amperes for one second, so exceeding the maximum design performance.

The Next European Torus (NET), is already at the design stage.

JRC

(Joint Research Centre)

A centre consisting of four research establishments in Ispra, Karlsruhe, Geel and Petten, implementing a multiannual research programme.

Duration : 1984 - 1987

Budget : 700 million ECU

The programme covers six main fields of research :

- industrial technologies,
- fusion,
- fission,
- non-nuclear energy,
- environment,
- scientific service activities.

28/29 June, 1985

MILAN **E**

European Council

- 1 -

Commission of the European Communities  
Service of the Spokesman

(35)

Brussels, June 1980

**TOWARDS A EUROPEAN TECHNOLOGY COMMUNITY (1)**

Europe's response to the technological challenge must be to set up a European Technology Community.

**WHY?** Because the Community must act urgently to reverse a trend whose present consequences are lost market shares, less job creation, growing technological dependence and brain drain. Recovery would necessitate strengthening the Community's technological base so that the quantum leap can be made that is needed to secure the competitiveness of the European economy.

To be effective and credible, the European response must exploit the Community dimension to the utmost and ensure that national and Community efforts support each other towards the same goals.

**THE ADVANTAGES OF THE COMMUNITY DIMENSION :**

1. a demand for European products and services which will expand dynamically with the opening up of public contracts and the adoption of international standards preventing the walling-off of markets (close link between the proposals for the continent-wide market and for the Technology Community);
2. close linking of the technology effort with other common policies;
3. increase in the potential and effectiveness of national technology programmes;
4. improved scope for universities, individual research workers and specialized SMEs, which are sometimes overlooked by major intergovernmental operations;
5. Community R&D instruments that are immediately available and easily adaptable, so there is no question of starting from scratch.

**HOW?** All the possibilities offered by the Treaties must be exploited (and the Treaty provisions amended if necessary) in order both to take account of the interests of all parties and to ensure prompt decisions, flexible and decentralized management and appropriate financing.

(1) COM(85)350

The Community's effort should not be confined to the portion of public R&D expenditure which it finances from own resources : on the contrary, what is needed is to organize the mutual enhancing and compounding of national and Community efforts.

1. The European Technology Community will take shape in the immediate launching of major talent - and resource-mobilizing projects. These must involve substantial technical progress and be of major economic and social value; they must be sufficiently concrete, they must seize upon and exploit the technological breakthroughs already won and they must attract the best brains.

Some major themes have been identified and are set out in the annex to the Commission's memorandum.

2. To carry out ambitious programmes, all forms of cooperation must be explored that bring together governments, firms and research centres willing and able to participate, perhaps in the form of industrial consortia, intergovernmental cooperation, European networks of research centres and universities. The Community would participate under Community programmes or possibly by acquiring minority holdings in national or multinational initiatives, public or private.

Participation by non-Community partners must also be possible.

Back-up measures will be needed for bringing into being a true "research workers' Europe".

The key words are : professionalism, the right management methods for different tasks, and, where necessary, decentralization.

**FINANCING THE PROJECTS** would be a matter for governments, firms, research institutes and the Community. The guidelines issued at the European Council's last four meetings should significantly increase the resources allocated to Community R&D.

The Commission proposes that the European Council make a solemn political commitment to mark the Member States' determination to give their Community the powers and means to act in the technology field. Whatever the institutional arrangements adopted, a first step must be to instruct the Commission to launch the procedure for defining priority projects with a view to obtaining approval of some projects by the end of the year.

ANNEX

SUGGESTED THEMES

1. Information technologies and their main applications, e.g. computer-aided manufacturing, artificial intelligence and the supercomputer
2. Biotechnologies, in particular genetic and biomolecular engineering and their applications to health and agro-industry
3. New (e.g. superconducting and ceramic) materials
4. Lasers and optics
5. Big science facilities such as particle/radiation sources and advanced windtunnels
6. Broadband telecommunications
7. New-generation means of transport
8. Use of space
9. Conquest of the marine environment and deep drilling operations
10. Education and training technologies

28/29 June, 1985

MILAN



European Council

-1-

(38)

Commission of the European Communities

Service of the Spokesman

MEMORANDUM

TOWARDS A EUROPEAN TECHNOLOGY COMMUNITY

June 1985

CONTENTSI. THE CHALLENGE FACING EUROPEII. THE EUROPEAN TECHNOLOGY COMMUNITY

1. Legal and political bases
2. Objectives
3. Types of technological research and development (TRD) projects and programmes
4. Horizontal back-up tasks
5. Methods of cooperation and financing arrangements
6. Criteria and methods for selecting priority TRD programmes

TOWARDS A EUROPEAN TECHNOLOGY COMMUNITY

I. THE CHALLENGE FACING EUROPE

Technological progress plays a central role in our societies because of its impact on economic growth and job creation, social and cultural progress, environment and security. It is increasingly becoming a strategic factor - one which (as the Commission stressed in its communication to the Brussels meeting of the European Council in March 1985) the Community must turn to account in order to regain its competitiveness and lay the foundations for more vigorous and more stable growth and to ensure greater economic convergence by increasing the innovative capacity of all the Member States.

The Community has an internal market on a scale similar to those of Japan and the United States, but it has to face the competition of those countries with a market segmented by many barriers and with no common technological strategy: with a few notable exceptions, R&D policies and resources are applied by the Member States without any coordination.

The consequences are beginning to show. Since 1972 the annual growth rate in real terms of the production of high technology goods in Europe has not exceeded 5% while the rate in the United States is 7,6% and in Japan 14%.<sup>1</sup>

Europe's mediocre industrial performance has eroded its trade surplus in high-technology products. Over a 20-year period the export cover of high technology imports into the Community fell from 190% to 110% (1983).

Europe launched the first two industrial revolutions: is it now missing out on the third? Can Europe be satisfied with its continuing domination in medium-technology products when the newly industrializing countries of Asia and Latin America are ready to take over? Must Europe meekly accept the brain drain to the United States and let Japan take over its market shares?

Can Europe maintain its standard of living, reverse the unemployment trend and ensure that it can stand on its own feet without responding to the technological challenges of the outside world?

For a response to these challenges, Europe has a potentially powerful armory:

---

<sup>1</sup> From 1973 to 1983 the Community's specialization index for trade in high technology products fell from 1,01 (OECD = 1) to 0,82 while that of the United States remained constant at 1,26 and that of Japan went up from 0,7 to 1,26.

- For Europe's industry, a continent-wide market rid of the barriers now dividing it into unviable segments;
- National R&D efforts which have maintained the high level of European science but whose dispersal deprives the Community of the synergetic effects and the economies of scale that would stem from a collective effort targeted on certain jointly defined strategic priorities;
- The cooperation among European firms which has positive results when it can flourish under the stimulus given by such research programmes as ESPRIT, industrial programmes like Airbus and strategic programmes like the Space Agency.

The Community must therefore as a matter of urgency summon up its considerable resources to reverse a trend whose present consequences are lost market shares, less job creation, increased technological dependence and the emigration of its finest research workers.

The Commission considers that Europe will be able to harness the new technologies for a common purpose only if a genuine European Technology Community is established which:

- exploits the Community dimension to the utmost extent possible;
- promotes the greatest possible synergetic effects from the interactions of national and Community efforts.

#### Exploiting the Community dimension

The Community dimension offers the following advantages:

- It will guarantee that the demand for products and services supplied by European projects can expand dynamically as the result of the opening up of public contracts and the adoption of international standards preventing the walling-off of markets and restriction of competition.

There is therefore a close link between the Commission's proposals for (a) completing the continent-wide market and (b) creating a European Technology Community.

- The Community will ensure that the technology effort is closely tied in with common policies and in particular with trade and competition policies;
- Through cooperation and exchanges, it will increase the potential of purely national programmes and reduce wastage arising from unnecessary duplication.

- It will give more scope to the universities, individual research workers and specialised SMEs (which are sometimes overlooked in strictly intergovernmental schemes of cooperation owing to the complexity of industrial groupings and institutional structures).
- Lastly, the Community's R&D instruments are immediately available and can be adapted to the needs of different projects in view of the urgency of the action required. Some current programmes (ESPRIT, BRITE and the definition phase of RACE) can provide a framework for projects that fall naturally within their general field such as information technologies, broadband networks and new materials.

Synergetic effects of Community/Member States interactions

The aim is to combine on the basis of clearly defined objectives:

- the use of Community programmes proper;
- the development of strictly national programmes;
- the pooling of national programmes by some States, including non-Community countries, possibly with an additional Community contribution;
- identifying the scope for the synergetic cross-fertilizing of national and Community programmes.

Just as it is neither possible nor necessary to bring everything under the Community umbrella, so it would be just as inappropriate to confine the Community's efforts to the portion of public R&D expenditure which it finances from its own resources, even though that portion is to be substantially expanded. Bridges must be built between programmes at different levels - national, intergovernmental and Community - that contribute to common scientific and technological objectives in order to integrate them into a truly Community scientific and technological strategy.

\*

\* \* \*

Some will argue, against the advantages of the Community dimension, that the Community's decision making and management procedures are complicated and cumbersome. But in fact the aim must be to exploit all the possibilities offered by the Treaties and where necessary

adapt their provisions in order to guarantee that account is taken both of the interests of all parties and of the need for prompt decisions, flexible and decentralised management and appropriate financing arrangements.

That is the Commission's aim in this proposal, in the conviction that the Community's institutional system - which needs to be made more effective and more democratic - remains, in the last resort, the only guarantee for the European identity and common interests against the weight of national sovereignties, legitimately concerned to put national interests first.

## II. THE EUROPEAN TECHNOLOGY COMMUNITY

### 1. Legal and political bases

The European Economic Community can offer the necessary basis for launching a true European Technology Community, so designed as to allow Member States to reserve or restrict their participation to certain programmes only.

That having been said, the European Technology Community could be brought into being through a variety of institutional arrangements, which are set out in a separate paper; they are all founded on a political commitment, of contractual force, by Member States to give the new Community the powers and resources to take action in its field.

### 2. Objectives

The fundamental objective is to strengthen the technological bases of European industry and to develop its international competitiveness.

To serve this objective, the Technology Community must have the remit and the resources to carry out certain actions in the interests of the Community: to conduct technology research and development programmes with the participation, which may vary from one programme to another, of the Member States, firms and research centres, and to carry out horizontal or back up measures in support of the TRD programmes.

It is not proposed at this stage to put forward a definitive plan, but the main types of measure, whether or not they are to be conducted at the Community's initiative, can be set out as follows.

### 3. Types of technological research and development (TRD) projects and programmes

#### 3.1 Research on generic technologies

The main object of this type of project is to induce industrial firms to join forces and cooperate with university research centres and public authorities for mastery up to the development stage of technologies whose specific applications will spread throughout the industrial fabric, modernizing processes or giving rise to new products. These include the technologies of composite materials, micro-electronics and optronics and those in the huge field of biotechnologies (see Annex).

By reason of their very purpose, these projects are generally restricted to the pre-competitive stage, but, over and above the results expected from scientific and technical research, they will increasingly draw together European firms, research centres and public authorities into the networks that will be the foundation for industrial cooperation proper in production and marketing structures.

#### 3.2 Development and exploitation of joint facilities for basic research purposes

Europe, both Community and non-Community, has already started on the path of joint exploitation of large-scale equipment and specialized laboratories which it would be absurd to duplicate. It was the motive for establishing CERN in Geneva and the JET project at Culham. Other projects of this type are planned in the same spirit, such as the Synchrotron, and the Oceanography Centre. The human and material capital which the Member States have already pooled in the Joint Research Centre (JRC) can be harnessed in a public service mission which could take the form of a programme on the safety of the environment in the broad sense and the definition of reference standards.

#### 3.3 Strategic programmes

These are technology-intensive programmes or major talent- and resource-mobilizing projects whose specific purpose could be a field in the general interest (space exploration, for example) or the supply of advanced public services (telecommunications). In this type of programme the R&D phase is only preparatory to the public investment and exploitation phases.

Beyond their specific purpose, the strategic programmes would seek to open up a "critical mass" of public contracts in strategic sectors in order to combine demand-pull with the technological-push generated by research programmes.

The programme of the European Space Agency is the model here. Its successes have restored Europe's confidence in its technological and industrial capacities and shows what can be done when the States of Europe aim at a strategic target and agree to pool the bulk of the national resources they are devoting to it.

Another model could be, in telecommunications, the RACE programme proposed by the Commission.

The IRIS programme proposed by the Italian Presidency for the development of the European market in the "social products" of informatics could also fall into this category.

#### 4. Horizontal back-up tasks

##### 4.1 International cooperation

The European Technology Community should open negotiations with non-Community countries and international institutions on:

- the ways and means whereby it could take part in their research programmes and they could be associated with its own TRD programme;
- international standards for exchanges of technology (intellectual property, competition rules, access to information, restrictions on technology transfers and so on).

##### 4.2 Coordination of national and Community TRD policies

Besides its own programmes, the European Technology Community would also be required to promote the coordination of national and Community policies, to propose the means of strengthening their complementary aspects; it would seek to instigate concerted actions which it would encourage by bearing coordination costs and possibly by meeting a minority share of project costs.

##### 4.3 Dissemination of knowledge and exploitation of the results of Community programmes

Community action must not be limited to developing research; it must also help to exploit results which lend themselves to commercial applications. In some cases it may be useful for the Community to

have the means to bear certain pre-development costs, at least in part, in particular in the case of innovative SMEs.

#### 4.4 Stimulation of the Community's science and technology potential

This type of horizontal task must be a permanent function of a European Technology Community. The aims and methods can be defined on the basis of the lessons taught by the current experimental programme under the four-year programme.

In this context it might be possible<sup>2</sup> to act upon the suggestions of the Economic and Social Committee<sup>2</sup> for setting up in the Community a network of centres of excellence recognized and supported by the Community. These centres would agree to cooperate in programmes for information exchange and research worker mobility defined by the Community and in framing the training policies required to meet any Community shortages of science specialists.

#### 5. Methods of cooperation and financing arrangements

The aim of the following proposals is to reconcile unity of vision and strategic coherence at Community level with the greatest possible flexibility in the management and financing of programmes and in the level of participation by Member States and their nationals.

##### 5.1 A coordination framework

. The Community TRD strategy is at present defined in a multiannual framework programme. This could become a coordination framework for Member States' and Community policies pursued in response to needs jointly identified in certain fields. The adoption of such a framework programme and its periodic review would give all the Member States the opportunity to establish in every field whether Europe has an adequate S-T base and whether the resources deployed will enable its industry to meet outside competition.

. In the institutional system of the Communities,<sup>3</sup> it is up to the Commission to fulfil its role as the driving force by issuing proposals on its own initiative for the adoption and review of the framework programme and following up its implementation.

---

<sup>2</sup> ESC, Normann report, Information report on EEC shared-cost research programmes, Brussels, 1985.

<sup>3</sup> Which would also be that of the Technology Community under the basic assumption of this paper.

. It is up to the Council, acting on the Commission's proposals and after consulting Parliament, to adopt the framework programme and to establish in agreement with Parliament the multiannual cash limit for budget resources<sup>4</sup> to cover the Community's participation in the financing of TRD programmes.

The Council decisions adopting the major specific programmes could conceivably be taken unanimously, but the ways and means of implementation should then be decided by a qualified majority and with considerable delegation of executive powers to the Commission.

## 5.2 Flexible cooperation methods

To carry out ambitious programmes, forms of cooperation must be found which:

- draw together for each project those partners - governments, firms and research centres - wishing to participate on the basis of a clear perception of the costs and benefits of their cooperation;
- lead to the establishment of industrial consortia and the organization of intergovernmental cooperation in such a way as to harness the best available skills;
- rely on a European network of research establishment and universities in regular touch with each other and able to act as centres for generating research and technology and disseminating the results;
- allow participation by partners from non-Community countries.

Without going into the detail of management approaches and financing techniques, the wide variety of the methods worked out under the Community's research activities should be noted.

In precompetitive research, the most widely used and most satisfactory management method at present<sup>5</sup> is the shared-cost project whereby the Community awards research contracts (50% of the cost financed from the Community budget) to multinational groups made up of university research centres, public laboratories and private firms. This method of management has demonstrated its

---

<sup>4</sup> Community financing is the catalyst for eliciting contributions from governments and business. These latter sources of financing do not fall within the Community's budget procedures.

<sup>5</sup> According to the ESC survey of co-contractors (ESC, Normann Report, op. cit.).

effectiveness in the ESPRIT programme, which is primarily designed to encourage trans-European cooperation.

Another method is the concerted action involving several project promoters who share the financing; the Community defrays only the administrative costs of concerting and coordination under agreements signed by the Member States concerned and certain non-Community countries.

Finally, additional programmes are financed solely by the Member States wishing to take part; these will no longer be limited solely to the nuclear field as soon as the new own resources decision has entered into force.

Such management methods can be further adapted to take account of particular requirements and to allow for the greatest possible degree of flexibility in participation by Member States and their nationals in the various parts of the research programmes.

The concerted actions could be broadened to cover a wider range of sectors and strengthen their coordination capacity with a modest financial contribution from the Community.

The Community could also make a minority contribution to national or multilateral measures, public or private, which are of Community interest; this would be an expanded application of a method of action already used under programmes to stimulate the Community's scientific and technical potential.

Where it is a matter of providing assistance for the exploitation of results with the aim of extending the support given to precompetitive research (predevelopment, prototype) and promoting the application, especially by innovative SMEs, of the results, the Community must be allowed to deploy non-budget resources, such as innovation loans and risk capital holdings.

The management tool used for the JET programme - the joint undertaking provided for in the Euratom Treaty - can serve as the model for other projects for the joint development and exploitation of major scientific facilities. It presents several advantages:

- . variable configuration of national contributions
- . opening to participation by non-Community countries
- . legal and financial autonomy
- . variable level of Community budget contributions.

Finally, for the implementation of major strategic programmes for technological development, plans must be laid for establishing, separately for each programme, European agencies with legal and financial autonomy. This method has been adopted successfully by the European Space Agency for pooling national resources allocated to a programme of common interest.

The Community nature of the agencies would be given practical expression by the link with the framework programme and the minority contribution which the Community could make in the form of a grant (financed out of own resources) to the agency's budget, on the understanding:

- that the agencies would be principally financed by contributions from the participating Member States; these contributions would not pass through the Community budget;
- that a minority contribution from the Community budget to the agencies' operating expenses and a Community budget guarantee for loans issued by the agencies should be possible and should be decided on a case-by-case basis by the Council acting by a qualified majority.

### 5.3 Mobilization of financial resources

The scale of the funds needed to promote technological progress and face the competition from other major countries means, as the European Council has recognized at successive meetings since June 1983, that the resources allocated to Community R&D must be substantially increased.

Nevertheless, even with such an increase and counting in the Community's other financing instruments (borrowing/lending, additional programmes,<sup>6</sup> and so on) the share of Community resources allocated to R&D will still be only a small proportion of the total amount of such expenditure in Member States' budgets.

It is therefore essential that national efforts, which will mobilize the greater part of resources available for TRD, should be targeted on common objectives and a clear identification of the priorities adopted by each partner. For Community measures proper, the management methods and financing techniques (summarized below) open up wide possibilities for adapting to specific situations, the variable participation of Member States and their nationals and the association of non-Community countries or international institutions.

---

<sup>6</sup> Provided for in the new Decision on own resources.

The proposed plan of approach therefore assumes:

- that the Member States are prepared to define, in a Community context, the strategy lines for action at both national and Community level;
- that the European Council will confirm its determination to increase the share of the Community budget devoted to the financing of R&D programmes.

MANAGEMENT METHODS AND FINANCING TECHNIQUES

Community framework programme

- . Multiannual budget endowment to cover all expenditure from the Community budget provided for in the framework programme

1. Research programmes

- . Shared-cost projects (e.g. 50% Community budget, 50% public and private co-contractors)
- . Concerted actions (for the coordination of current research activities in Member States). Expenditure from the Community budget limited to covering the general costs of concerting and coordination (about 2% of total cost); it could be increased in some cases for the following purposes:
  - to increase the incentive to cooperation, in particular where research activities are widely dispersed (medical research, for example);
  - to go beyond mere concerting of existing programmes and encourage the development of new research.

2. Development and exploitation of joint facilities

- . Joint undertakings with or without participation of the Community, all Member States, non-Community countries;
- . Direct action by the JRC under the Community budget, with the possible addition of
- . Additional programmes under national budgets.

3. Strategic programmes

- either: Specialized Community agencies
- or: Bi-, tri- or multilateral associations of public or private European undertakings (on the lines of Airbus).

Sources of finance:

- . Minority contribution from the Community budget to agencies' operating expenditure
- . Contributions (under an ad hoc breakdown) of the Member States (or of their undertakings)
- . Trading receipts of agencies and invoicing of services to Member States.
- . Community budget guarantee for agency loan issues.

4. Measures to stimulate the Community's S-T potential

- . Contributions from the Community's research budget, with possible addition of assistance from the structural Funds.

5. Aids to exploitation of results (defraying of predevelopment costs)

- . Loans to SMEs (application of new technologies and innovation) (NCI IV)
- . Risk capital contribution (pilot experiment now under way)
- . Community budget Chapter 75
- . Invoicing of services rendered.

6. Criteria and methods for selecting priority TRD programmes

Scarce financial resources and even scarcer human resources (and Japan's example) suggest that only a small number of carefully selected programmes should be launched at the same time. In the selection of programmes a decisive voice must be given to those who will be committing their assets and whose spirit of enterprise will be the key to industrial success at the end of the road. The aim is not to explore every possible scientific avenue but to strengthen the technological bases of European industry.

The broad criteria for the selection of the first list of programmes to mobilize talent and resources and serving precise objectives could be as follows:

- . they must make a substantial contribution to strengthening Europe's scientific and technological potential, especially in fields where the international competitiveness of its industry is under threat;
- . be of major economic and social value in harmony with the concerns and characteristics proper to our society;
- . constitute measures for which the European dimension is a major advantage or even a necessity;
- . they must be sufficiently attractive in aspiration and content to draw the best brains;
- . they must attract public support.

For the selection and detailed planning of priority programmes and projects and the definition, for each of them, of participation, financing and management methods, the following procedure could be followed:

- . A high-level group of senior officials under the Commission's authority would be instructed to identify strategic options and priority themes and projects, to lay down the terms of reference for the detailed definition of each programme and to draw the conclusions. This executive group could be assisted by leading figures from research (in particular members of CODEST) and industry.
- . For each theme, groups of experts from industry and research convened by the Commission would define precise programmes with their targets, costs, time scales and conditions of participation. Each group would be chaired by one of its members.

- . On the basis of this work, the Commission would draw up proposals either for projects to be implemented at the Commission's initiative or for the means of associating the Community with initiatives by Member States which would serve common objectives.
- . After consultation of the high-level group, the proposals would be sent to the Council, which would decide on the legal and financial details for each programme adopted.

The Commission has already made an initial study of themes which could be adopted. The Commission has drawn up detailed data sheets (attached) for each of these themes, which are to be regarded as examples rather than proposals:

1. Information technologies and their main applications e.g. computer-aided manufacturing, artificial intelligence and the supercomputer
2. Biotechnologies, in particular genetic and biomolecular engineering and their applications to health and agro-industry
3. New (e.g. superconducting and ceramic) materials
4. Lasers and optics
5. Big science facilities such as particle/radiation sources and advanced windtunnels
6. Broadband telecommunications
7. New-generation means of transport
8. Use of space
9. Conquest of the marine environment
10. Education and training technologies

A necessary first step is to instruct the Commission to launch forthwith the procedure for defining these priority projects so that some projects can be approved by the end of the year.



TABLE 2

	OBJECTIVE	IMPACT			POSITION OF EUROPE	POLYVALENCE	EEC ACTIONS CURRENTLY IN TRAIN OR PREPARATION	
		TECHNICAL ADVANCE	COMPETITIVITY	EMPLOYMENT				
1. Telecommunications	stimulate economic activity	high / diversified	high	high / positive	good	very high	RACE, TBB, video conferencing	
2. Supercomputers	high performance computation	high / diversified	high in small sectors	none	slight	very high	ESPRIT	
3. New generation Transport syst.	comfort and security of transp.	marked	high	high / positive	good	Limited		
4. Health-care Technologies	improvement in health and long.	high / diversified	consid. for pharmaceuticals and equipment	marked / positive	satisfactory	very limited		
5. Education and Training	optimisation of human resources	high / diversified	important due to need for trained manpower	high/positive both directly & indirectly	good	high	Technical Education Initiative	
6. Space	High value added services	high / diversified	in specialised sectors	slight / positive	good	potentially considerable	CCR DGXII-DGVIII	
7. Agricultural industrial project	Use of biosphere for renewable goods	high / diversified	high	high / positive	good	none	biotechnologies	
8. Deep-sea exploitation	Raw materials and agriculture	moderate / specialized	within traditional industries	weak / positive	good	weak		
9. Information Technologies	micro & opto-electronics	improvement of existing functions & creation of new	high / general	very high	medium / positive	weak	ESPRIT	
	Artificial Intelligence and Advanced Information Processing	Development of expert systems	very high	high / very specialized	weak	medium	full	ESPRIT
11. Computer Integrated Manufacturing	Automation of manufacturing methods	high / diversified	very high	slight	medium	high	ESPRIT	
New Materials	12. Advanced materials	scientific and technical progr.	high in the long term	high in the long term	slight in the short term	satisfactory	very high	BRITE
	13. Superconduction	scientific and technic. progress	high long term	in the high in the long term	slight in the short term	satisfactory	important	BRITE
	14. Aerospace prop.	hypersonic propulsion	high in narrow sector	high	slight	good	high	
15. Lasers and optics	Scientific and tech. progress	marked / diversified	indirect	slight	good	high		
Large accelerators	16. High energy physics	Research into element. particles	high narrow sector	very indirect	slight	excellent	slight	
	17. Synchrotron	Photon-matter interaction	high / diversified	indirect	slight	good	slight	
18. Windtunnels	Development of transport	high / diversified	essential	slight	good	very high		

Brussels, June 1985

A PEOPLE'S EUROPE

1. In June 1984 the European Council meeting in Fontainebleau decided to set up an ad hoc Committee composed of personal representatives of the Heads of State or Government and a representative of the President of the Commission<sup>1</sup> with a mandate to identify specific measures aimed at:
  - facilitating the free movement of Community citizens by abolishing police and customs checks and by introducing a general system for the mutual recognition of diplomas; and
  - strengthening the Community's image both inside and outside its borders by practical action directly affecting day-to-day living.
2. The Committee focussed first on identifying measures to facilitate freedom of movement and freedom of establishment for Community citizens. With this in mind, it submitted a report to the Brussels European Council on 28 and 29 March recommending:
  - short-term measures which could be adopted by the Council without delay: simplifying formalities at land frontiers, seaports and airports and increasing tax-free allowances for travellers; providing the right of establishment by working out a general system for ensuring the equivalence of diplomas without necessarily harmonizing training and by recognizing the right of every Community citizen to reside in any Member State;
  - longer-term measures for the abolition of border checks as part of the move to achieve a "Europe without frontiers" by 1992 (largely coinciding with the proposals in the Commission's white paper on completing the internal market).

The March European Council approved the Committee's proposals and asked the Council to take the necessary decisions on the basis of Commission proposals and report back on progress to the Milan European Council. So far the Council has adopted a directive on architects' diplomas and a decision on the equivalence of professional qualifications but, despite discussions on 10 and 19 June, it has been unable to reach a decision on the two major issues - simplification of border checks on individuals and recognition of a general right of residence for all Community citizens.

./..

<sup>1</sup> Mr Ripa di Meana, Member of the Commission; the Committee is chaired by Mr Pietro Adonnino.

3. Following the transmission of its first report to the March European Council, the Committee turned its attention to the other aspects of its mandate and produced a final report for discussion by the Milan European Council. In approving this report, the European Council's task will be three-fold: to take specific decisions in certain areas, to provide momentum and lay down guidelines for action already under way, and to open up fresh horizons in new areas.

- (a) The report proposes the creation of a European Academy of Science, Technology and Art. Made up of forty members - the first ones to be designated by the Heads of State or Government - it would be responsible for awarding prizes in the main areas of science, technology and art and for giving opinions to help promote the international diffusion of European culture. An organizational framework for the Academy would be drawn up by the Heads of State or Government assisted by its first members.

The Committee would like to see Member States taking steps to ensure that the reductions on admission charges to museums and other cultural establishments available to their own young people are extended to all young Europeans.

The report also proposes the creation of a new European youth exchange scheme. Current projects which are organised annually and financed from funds approved by Parliament, tend to be geared to young workers.

In this connection the Committee stresses the value of the work camps which exist in all the Member States and bring together young people - particularly during their holidays - to make a contribution in a variety of fields, including the preservation of our common heritage.

Turning to the question of "image" the Committee proposes a Community flag on a blue background with a circle of twelve five-pointed gold stars surrounding the letter epsilon, the symbol already used by the Commission. This would also be the Community emblem. The Committee also proposes that Beethoven's "Ode to Joy" be used as the Community anthem.

- (b) Another of the Committee's aims was to provide momentum and lay down guidelines for the continuation of action to establish special rights for Community citizens. It would like to see a uniform electoral procedure being introduced for the next European elections or, failing that, all Community citizens being able to take part in the elections no matter where they are in the Community at the time. It also stresses for the active pursuit of efforts to achieve voting rights for all Community citizens in local elections, wherever they are in the Community and whatever their nationality.

In the field of education the Committee stresses the importance of student mobility and outlines a proposal for a Community system of academic credits, similar to the one in the United States, which

enable students to transfer from one university to another within the Community without losing credit for previous studies. It would clearly be up to the universities themselves to implement this system.

In the field of culture the Committee endorses the action already in hand to introduce a Community scheme to encourage television and cinema co-productions. Along similar lines, the Committee emphasizes the potential value of a European television channel and supports the Commission's efforts on this front.

- (c) The Committee also points to new areas, only partially explored, which could be exploited in the move to a people's Europe. These include sport and postage stamps.

As regards sport, the Committee urges sports associations to organize Community events and use Community symbols on international sporting occasions. The Commission intends to make a special effort to encourage these ideas. The Committee also refers specifically to the sensitive question of violence at stadiums and expresses support for the recent initiatives on the part of certain Member States in Amsterdam.

As regards postage stamps, the Committee suggests specific guidelines for joint issues to mark special events such as the accession of Spain and Portugal to the Community.

-----