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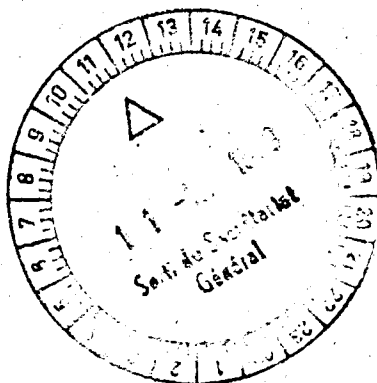
COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 21 november 1979

COMMISSION REPORT ON EUROPEAN UNION

(Communication to the European Council - Dublin,
29 and 30 november 1979)



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COMMISSION REPORT ON EUROPEAN UNION

1. This is the Commission's third report, since the Tindemans Report in December 1975, on the results which have been achieved and the progress which can still be made towards European Union in the various fields concerned.
2. The current year has seen a considerable number of major economic and political events, the most significant being the election of the European Parliament. Substantial progress has been made towards European Union thanks to the awareness which has developed on important issues and the Community-level deliberations of the previous year.
3. Throughout the Community, industrial activity has been expanding but the extension of industrial restructuring measures reflects the lingering malaise still affecting the economic climate, which is now less tense but still uncertain. Unemployment is still high and remains a cause for concern, especially unemployment among young people. Inflation, which was largely contained last year, has been showing a distinct upward trend since the early months of 1979. The uncertainty surrounding supplies and the rise in fuel prices are once more the factors determining the bleakness of the economic outlook.

The trade balance, which had been broadly speaking positive for a year, has again deteriorated. The various external factors affecting the wide diversity of domestic situations in the Community are once more making for greater economic divergence between Member States.

POLITICAL AND INSTITUTIONAL ASPECTS OF EUROPE

4. With the first direct election of European Members of Parliament by universal suffrage, a decisive step was taken towards strengthening the democratic legitimacy of the entire institutional structure. Although provided for by the Treaties of Paris and Rome, the election of the European Parliament did not take place until more than twenty years after those Treaties were signed. From the first debates and the atmosphere of the proceedings it is apparent that the new Parliament is resolved to spur the achievement of European Union.

5. The brief entrusted to the "Three Wise Men" by the European Council which met in Brussels on 4/5 December 1978 shows that the Heads of State and Government are anxious to ensure that the Community Institutions are adapted, on the basis of the Treaties and without any infringements thereof, to meet the needs of the enlarged Community. The Wise Men have now reported.

6. The Commission, for its part, has been considering how it itself operates. An independent working party consisting of five high-ranking public figures had been requested to prepare a report on the structure of the Commission's departments and how these could be adapted to take account of the Community's enlargement from nine to twelve Member States. This working party, which was chaired by Mr Spierenburg, submitted its conclusions on 24 September 1979. This report will provide guidance for the Commission's present concentration on getting its departments efficiently organized to cope with its changing duties.

ECONOMIC AND SOCIAL ASPECTS OF EUROPE

7. Once again the fuel shortage and rising fuel prices have been the central problem confronting the work economy. Within the Community itself, the first sign of an effective common policy on energy was the Member States' joint decision to limit their oil imports. At the Tokyo Summit, this common stand enabled the participating countries to adopt oil-import ceilings up to 1985. A separate set of measures, some of which have already been adopted, are aimed at promoting the use of solid fuels, at rationalizing and cutting back energy consumption, and at making use of alternative sources of energy.

8. The Community is holding more and more consultations with the other main industrialized countries with a view to finding a common position and agreeing on common measures to deal with the energy crisis. Although a common energy policy is still a long way off (because of the constant pressure exerted by external factors), some real progress in this direction has been made.

9. In many sectors, the level of industrial activity is still disturbingly low; Community investment aid has been proposed for restructuring or conversion measures in other sectors, such as the shipbuilding and textile industries. These industrial restructuring and conversion measures also have repercussions on producers outside the Community. Until the process has been completed and until industrial structures and activity levels have become compatible with the long-term market outlook, it will be difficult to dispense with certain measures to restrain imports.

10. Using other means, the Community has worked to encourage changeovers in sectors in trouble, and to stimulate industrial activity in the high-technology sectors. Towards this end, various research and development programmes have been launched, including those for the textile and clothing industry, aeronautics and informatics.

11. As concerns the CAP, the structural imbalances in some markets, particularly sugar and milk, have once more been of very considerable proportions. Only limited support has been forthcoming for Commission proposals for bringing some sectors of agriculture back into balance. The problem of the surpluses and its financial implications for the pattern of Community expenditure is still there, and the Commission is proposing a number of adjustments to certain common organizations of markets.

12. In addition an assortment of measures in connection with policy on the structure of agriculture have been agreed on for the disadvantaged regions, more particularly in Southern Europe: they include specific programmes for Ireland and the Mediterranean areas of Italy and France, and a common forestry operation. Other structural operations and specific measures are currently under discussion. Injection of very large sums into the ERDF is calculated to help place Community funding of higher structural expenditure on a sound basis.

MONETARY ASPECTS OF EUROPE

13. Fundamental progress towards European Union was achieved in the monetary sphere with the introduction of the EMS, the creation of the ECU and the use of the European Monetary Cooperation Fund to build up currency reserves. Now that the system has been operating for six months, the signs are that this new move towards monetary solidarity is living up to its promise. The technical readjustment of exchange rates in September shows that the EMS is sufficiently flexible to adapt to the economic facts of life, while preventing disorderly ups and downs on the currency markets.

14. One important consequence of the introduction of the EMS has been a substantial reduction in some monetary compensatory amounts; this represents a further step towards the normalization of agricultural markets. Accompanying measures planned at the time when the EMS was being set up also included the strengthening of the economies of the less prosperous Member States. Ireland and Italy can now obtain low interest rates for the financing of selected projects and programmes to improve infrastructures. The first loans have already been granted from the "New Community Instrument" for the financing of infrastructure projects.

ENLARGEMENT OF EUROPE

15. The enlargement of the Community came one step nearer with the signing of the Accession Treaty with Greece, which will thus become the tenth Member State in January 1981. Negotiations for Spanish and Portuguese accession are proceeding. Once Spain and Portugal become Member States, the Community will be faced with the problems peculiar to Southern Europe.

EUROPE AND THE WORLD

16. The Tokyo Round, which has finally been concluded after six years of difficult negotiations, represents an important new stage in the liberalization of international trade. The final results are significant, not only as concerns tariffs but also as concerns the rules of GATT and non-tariff codes, especially when it is borne in mind that these results were achieved in the context of the worst economic recession for forty years. The agreement is designed to work against national protectionist tendencies, and shows that all the participating countries realize the interdependence of trade.

17. The negotiations with the ACP countries resulted in the signing of the Lomé II Convention which specifies the new forms of cooperation freely negotiated between equal partners. The system of stabilizing export earnings has been extended, while increased resources will be placed at the disposal of the ACP countries, in all sectors, from small local projects to major regional projects involving more than one country.

18. The Community has been working up its relations with other developing countries: thus it has opened negotiations for a cooperation agreement with the five ASEAN countries, and has held exploratory talks with Brazil, India and the Andean Group with a view to renewing or concluding cooperation agreements.

19. In Europe, it has devoted particular attention to relations with Turkey - a Community associate since 1964 - and with Yugoslavia: discussions have been conducted for the purpose of working out future stages for reactivating and intensifying the Association, and initial negotiations have been entered into with Yugoslavia on the terms of a cooperation agreement.

EUROPE AND THE EUROPEANS

20. On 10 June 1979 the citizens of Europe had the opportunity to vote on the future of the European Community, but 1979 has seen little progress on the issues which are of special interest to European men and women. The Community pursues essentially economic goals; it is hardly surprising, therefore,

if the progress achieved so far has been largely in the economic sphere. European Union has a wider aim, however. For several years, as political pressure has been growing, certain issues of direct concern to the citizens of Europe have been under consideration and these are now being discussed by Community bodies. These matters include extension of right of residence to all, voting and standing in local elections, European passport and a European driving licence.

21. Apart from some minor adjustments no progress has been made towards reducing the checks applied at the Community's internal frontiers. The Community is still deliberating on whether to sign, as a single body, the European Convention on Human Rights. As regards culture and contacts between peoples, no further moves have been made to set up the European Foundation suggested by Mr Tindemans.

WHAT REMAINS TO BE DONE

22. At their meeting in Paris in October 1972, the Heads of State and Government set themselves the principal objective of transforming the whole range of relationships between Member States into a European Union before the end of this decade, without in any way departing from the Treaties already signed.

Now that the end of the decade is only a few weeks away, it would seem appropriate to assess what progress has been made and to measure the gap which still separates us from the said objective.

23. The Tindemans Report on European Union, which was submitted in December 1975, defines such Union as consisting of the following:

- institutions having the authority to define policies which are common, comprehensive and consistent, having the powers to take effective action and possessing the legitimacy required for democratic control;
- common measures in the most important areas of external relations: foreign policy, security and economic cooperation;

- common policies on economic and monetary matters, on industrial and agricultural matters, and on energy and research;
- effective solidarity, to correct the disparities in levels of development and incomes;
- protection of the rights and improvement of the living standards enjoyed by the citizens of Europe.

24. The EMU, which represents an intermediate stage, is still far from complete, but full participation by all the Member States in the EMS and closer EEC economic and monetary cohesion are major strides in that direction. Active preparation must be made for setting up the European Monetary Fund and for full-scale use of the ECU as a reserve currency and means of payment.

25. Convergence on the common goals of growth, stability and full employment necessitates coordination of economic and social policy and tighter budgetary discipline on the part of the Member States. The arsenal for improving economic structures so as to help reduce disparities between Member State and Member State and between region and region must be both deployed more efficiently and further expanded.

26. It is essential that the internal market should be effectively completed in the short term. Too many barriers of every kind still stand in the way of the free movement of people, goods and capital. In many fields (such as taxation, social welfare legislation, transport and the award of public contracts) purely national arrangements still persist. As yet there is no European economic zone in which our economies, industries and services can be organized and planned for the future within a Community framework. All the remaining barriers must be quickly dismantled if benefits are to be derived from economies of scale, a European division of labour or economic and industrial planning. The achievement of EMU is impossible without full Customs Union, which can no longer be delayed without jeopardizing the whole edifice of the European Community, so painstakingly erected over a period of almost thirty years.

27. The Customs Union competition policy, and the Common Agricultural Policy, although incomplete, are the areas where most progress has been made towards the objectives of European Union. Every effort must be made to complete and consolidate this part of the European edifice. In all other areas, common policies are still at a very early stage. Certain measures such as the EMS are now under way but others have hardly left the drawing board. The energy crisis and the technological challenge, however, may strengthen the common determination to arrive at European policies.

28. The enlarged Community must find adequate ways of gradually and harmoniously integrating the economies of the new Member States into the European framework. The marked economic and social differences will call for imaginative and courageous solutions.

29. To deal with the problems which await us in coming years, the Community should now be increasing the effectiveness of its institutions. Internal difficulties, the disturbances caused by external factors and the imminent prospect of enlargement all militate in favour of new and different ways of operating, more suited to the needs of the enlarged Community. An in-depth investigation must be made into the tasks and powers entrusted to the institutions.

30. Little or no progress is being made on the issues of special interest to the citizens of Europe. As long as the political will is lacking, no meaningful steps can be taken to improve living conditions, establish a European identity or give shape to deeply-felt human and cultural aspirations. Europe's elected representatives will doubtless make some political moves to render the Community more meaningful to the human beings of which it consists.

31. The more one advances towards European Union, the more difficult it will be to draw an artificial distinction between important Community activities and those of the Member States. All matters of common interest must be treated within a single institutional framework. Experience shows that the full weight of the Community is needed behind us if our voice is to be heard and any effective action is to be taken. Where individual Member States are incapable of taking effective action to solve problems, the Community should be given the relevant powers and the means to take action on its own.