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COPY NO

1

19 November 1980

EUROPEAN COUNCIL, LUXEMBOURG

1/2 DECEMBER 1980

PROGRESS TOWARDS EUROPEAN UNION

Brief by Foreign and Commonwealth Office

OBJECTIVE

1. To have the European Union Reports noted without discussion.

POINTS TO MAKE

2. No comment on Foreign Ministers and Commission reports on European Union. Assume they will be published as in previous years.

BACKGROUND

References:

A - November 1976 Declaration of Heads of Government

B - Foreign Ministers Report on Progress towards European Union [English version not yet received].

C - Commission Report on Progress towards European Union 1980.

3. When the European Council adopted its Declaration winding up work on the Tindemans Report in November 1976 it asked that Foreign Ministers and the Commission report back to Heads of Government annually on progress towards European Union. The European Council will be invited formally to take note of both reports.

4. The Council's report will have been approved by Member States before the European Council.

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5. There is no need to comment on the Commission's report, which is produced on their own responsibility and reflects their own views.

Foreign and Commonwealth Office

19 November 1980

EUROPEAN COUNCIL THE HAGUE 29/30 NOVEMBER 1976

TEXT OF EUROPEAN COUNCIL STATEMENT ON TINDEMANS REPORT:

1. The European Council examined the report on European Union submitted to it by Mr Tindemans at its request, it heard an account given by the Chairman of the work carried out, and approved the general lines of the comments by the Ministers for Foreign Affairs on the various chapters of the report.
2. The European Council implicated its very great interest in the analyses and proposals put forward by Mr Tindemans. It shared the views expressed by the Belgian Prime Minister on the need to build European Union by strengthening the practical solidarity of the 9 Member States and their peoples, both internally and in their relations with the outside world, and gradually to provide the Union with the instruments and institutions necessary for its operation. It considered that European Union should make itself felt effectively in the daily life of individuals by assisting in the protection of their rights and the improvement of the circumstances of their life.
3. On this occasion the European Council had a wide-ranging discussion of the principles which must underlie the construction of European Union over the coming years. European Union will be built progressively by consolidating and developing what has been achieved with the Community, with the existing treaties forming a basis for new policies. The achievement of Economic and Monetary Union is basic to the consolidation of Community solidarity and the establishment of European Union. Priority importance must be given to combating inflation and unemployment and to drawing up Common Energy and Research Policies and a genuine Regional and Social Policy for the Community.
4. The construction of Europe must also make the best use of possibilities for co-operation between the 9 Governments in these areas where the Member States are prepared to exercise their sovereignty in a progressively convergent manner. This form of co-operation in the field of Foreign Policy must lead to the search for a common external Policy.

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5. In the light of future developments as defined by the Report on European Union, the Heads of Government, with the intention of establishing a comprehensive and coherent common political approach, reaffirm their desire to increase the authority and efficiency of the Community institutions, as well as the support of the peoples for them, and confirm the role of the European Council as a driving force.

6. On the basis of the conclusions reached by the Ministers for Foreign Affairs, the European Council invites them, and the Commission in the sectors for which it is competent, to report to it once a year on the results obtained and the progress which can be achieved in the short-term in the various sectors of the Union, thus translating into reality the common conception of European Union.

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EHG(L2)(80)20 Addendum
27 November 1980

COPY NO **1**

EUROPEAN COUNCIL, LUXEMBOURG

1/2 DECEMBER 1980

NOTE BY FOREIGN AND COMMONWEALTH OFFICE

PROGRESS TOWARDS EUROPEAN UNION

The attached Report on European Union from the
Ministers for Foreign Affairs to the European
Council is REF B to the Brief.

Foreign and Commonwealth Office

27 November 1980

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Report
on European Union
from the Ministers for Foreign Affairs
to the European Council

I.

Introduction

If the major decisions taken in the year now drawing to a close are analysed with some measure of detachment, it will be seen that they accord with the aims set by the European Council on 29 and 30 November 1976 when it requested the Ministers for Foreign Affairs to report to it once a year on results achieved and on the short-term progress achievable in the various areas of European Union. These aims are as follows:

- to construct European Union by strengthening the practical solidarity of the nine Member States and their peoples, both internally and in their external relations;
- to provide European Union progressively with the instruments and institutions necessary for its action. Union should also be reflected in everyday life.

Strengthening of the practical solidarity of the nine Member States fits into the context of ever-increasing convergence of the economic performances and policies of the Member States and of the Community, the co-ordination of which must be ensured.

Budget

In this spirit of solidarity the Council, in conjunction with the Commission adopted conclusions on 30 May 1980 regarding the unacceptable situation facing one of its Member States and on 27 October 1980 adopted two Regulations, one instituting supplementary measures in favour of the United Kingdom and the other amending Regulation (EEC) No 1172/76 setting up a financial mechanism.

The Council also undertook on 30 May 1980 to adopt, in parallel with the application of the decisions which would be taken in other areas, the decisions necessary to ensure that a common fisheries policy was put into effect at the latest on 1 January 1981.

In addition the Commission was entrusted with the task of carrying out an examination of the development of Community policies by the end of June 1981 without calling into question the common financial responsibility for these policies, which are financed from the Community's own resources, or the basic principles of the common agricultural policy; taking account of the situations and interests of all Member States, this examination will aim to prevent the recurrence of unacceptable situations for any of them.

As noted in the Presidency's conclusions at the European Council meeting in Venice, the Community's commitment to implement structural changes is a fundamental pre-requisite, with enlargement in prospect, if the Community is to be able to meet its internal and international responsibilities authoritatively and effectively; if it is to respond to the hopes of the people of Europe who long for ever greater solidarity between Member States in the various areas of political, economic and social activity; if it is to promote greater convergence between the economies and their harmonious development, and reduce inequalities between the various regions and the backwardness of the least-favoured regions; finally, if it is to achieve fully the objectives laid down in the Treaties in complete conformity with the ideals which inspired the farsighted scheme of European unification.

Progress towards European Union involved both defending existing policies and defining new common policies, taking into account the challenges which the Community must meet. This can provide the framework for a large number of decisions.

Sheepmeat

In furtherance of the introduction of common policies for which the Treaties provide, the Council agreed, on 30 September 1980, to the introduction of a common policy on sheepmeat.

On 21 July 1980 the Council adopted the Decision applying for the second time the Decision empowering the Commission to contract loans for the purpose of promoting investment within the Community.

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Regional

On 21 July 1980 the Council also adopted Regulations setting up specific Community regional development projects (quota-free projects) with a view to remedying regional problems connected with the implementation of certain Community policies.

Social Affairs

On the grounds that the Community's response to economic and social problems must be part of an overall strategy aimed in a non-inflationary manner at increasing growth potential, competitiveness and innovation, improving the employment situation and responding to the emergence of new social needs, the Council considered that, in this context, a more co-ordinated approach to employment problems should be arrived at with a view to achieving an employment policy at national and Community level which will reinforce the fight against unemployment. To this end, the Council adopted on 5 June 1980 a Resolution which determined the objectives of Community labour market policy and defined the measures to be taken and the means to be implemented within the framework of such policy.

Steel

The attitude of active solidarity adopted by the Member States when faced with a serious crisis affecting the whole Community, even though individual Member States may be affected differently, is illustrated by the assent which, at the request of the Commission, the Council gave, under Article 58 of the Treaty establishing the ECSC, to the establishment of a system of production quotas for the Community steel industry. The Council took that opportunity to stress the importance it attaches to continued restructuring of the steel industry in the Community.

Energy

Developments in the economies of the Member States depend closely on the way in which they react to the impact of the oil crisis, which is now hitting Europe with full force. The Council discussed this problem on 13 May 1980 and on that occasion adopted

two important Resolutions, one on Community energy objectives for 1990 and on convergence of the policies of the Member States, and the other on new lines of action by the Community in the field of energy. The Council and the Member States hope, by means of these texts, to reduce both the ratio between the growth in GDP and the increase in energy consumption, and the proportion of the Community's energy bill accounted for by oil.

Nevertheless, as noted in the conclusions of the Presidency at the European Council meeting in Venice, it must be stressed that the repetition of increases in oil prices constitutes an obvious threat to international stability. Their effects upon inflation and consequently upon economic expansion, investment, employment and the balance of payments give rise to intolerable burdens for the industrialized regions and even more so for the emergent countries, the latter being confronted with truly insoluble problems of readjustment which can clearly not be resolved by recycling alone.

Summer time, driving licences

In addition to all these major problems, the Community has also applied itself to reflecting European Union in everyday life. The Decisions on summer time and driving licences should be noted in this connection.

Institutions/Three wise men

While progress towards European Union implies the adoption of instruments such as those referred to above, care must also be taken to endow the Union with the institutions necessary for it to function. It was with this in mind that in December 1978 the European Council invited a Committee of "Three Wise Men" to consider the adjustments to the machinery and procedures of the Institutions which are required for the proper operation of the Communities on the basis of and in compliance with the Treaties, including their institutional arrangements, and for progress towards European Union.

The Ministers for Foreign Affairs studied this report and submitted the outcome of their discussions to the European Council, so that it could itself discuss it with a view to taking the appropriate decisions or to giving the Ministers for Foreign Affairs the necessary directives on the basis of which a subsequent position could be prepared.

Many of the problems faced by the Member States and the Community are not peculiar to them. Thus, at the European Council in Venice, given the slow-down in major economic areas, stress was laid on the importance of action to ensure that the risk of a general recession was averted through appropriate international collaboration.

External

With this in mind, the Community has always affirmed its determination to strengthen the open world trading system through joint efforts. The expansion of world trade, the improvement of the international division of labour and sustained economic growth are closely linked and are mutual pre-requisites. The Community has always demonstrated its intention of taking steps against protectionism in international trade and accordingly calls for increased international co-operation and consultation.

It is in this spirit that the Community has continued to implement its policy of open relations with the outside world.

Turkey

As regards the countries associated with the Community, stress should be placed on the reactivation of the Association and the development of relations between the Community and Turkey as agreed at the Association Council meeting on 30 June 1980, and in line with the statement adopted by the Ministers for Foreign Affairs meeting in the context of political co-operation on 15 September 1980.

Lomé

Several countries have acceded to the second ACP-EEC Convention which should shortly enter into force. All the partners in the Lomé Convention were receptive to the fact that one of the first international acts of independent Zimbabwe had been to request accession to this Convention, thereby marking a clear preference for this type of co-operation between Europe and the ACP States.

The Community has also pursued an active policy of relations with third countries.

EC/ASEAN

Thus, the EEC-ASEAN Co-operation Agreement was signed on 7 March 1980. This Co-operation Agreement, the initiative for which was taken at the first ministerial meeting between the EEC and ASEAN in Brussels in November 1978, is the first agreement of this type, with a non-preferential character, made between the Community and a regional group of countries. It covers trade co-operation and economic and development co-operation.

Yugoslavia

On 2 April 1980 the Co-operation Agreement between the EEC and the Socialist Federal Republic of Yugoslavia was signed in Belgrade. This Agreement constitutes the fulfilment of the intentions manifested by Yugoslavia and the European Communities in their Joint Declaration of 2 December 1976, in which they expressed their wish to

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strengthen, consolidate and diversify co-operation between them in their mutual interest. The Co-operation Agreement is of the "sui generis" type, in view of Yugoslavia's position as a non-aligned, European and Mediterranean State which is a member of the Group of Seventy-seven Developing Countries.

Romania

On 28 July 1980, in Bucharest, the EEC and the Socialist Republic of Romania signed two agreements giving a new dimension to co-operation between the EEC and Romania. This co-operation is based on the principle of mutual advantages and obligations but takes fully into account the respective levels of development of the Parties and in particular Romania's membership of the Group of 77.

Brazil

Reference should also be made to the Co-operation Agreement between Brazil and the EEC signed on 18 September 1980. This Agreement, which is intended to replace the 1974 Trade Agreement, introduces a new dimension into EEC-Brazil relations in that it is designed to encourage the expansion and harmonious development of commercial and economic co-operation in general between the two Parties.

Enlargement

The Community is on the eve of expansion for the second time. On 1 January 1981, the accession of Greece to the European Communities will take effect. This accession is doubly symbolic in that, firstly, the Community is embracing a country which has had such a formative influence on the ideas of the whole of Europe. Secondly, the objectives set out in the Treaties establishing the European Communities remain valid today,

as is shown by the fact that other countries aspire to join us to continue our joint endeavour to achieve these objectives.

This has clearly been the case for Portugal and Spain, whose accession negotiations are continuing. With a view to Portugal's accession, an agreement has been reached on pre-accession aid from the Community for that country.

II

[Political co-operation]

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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(80) 754 final

Brussels, 17 November 1980

EUROPEAN UNION

(Commission Report for 1980)

(Communication from the Commission to the European Council
Luxembourg, 1 and 2 December 1980)

COM(80) 754 final

COMMISSION REPORT ON EUROPEAN UNION, 1980

1. This report on the progress of the Community towards European Union is the fourth of its kind from the Commission to the Council and the Member States since the Tindemans Report in December 1975.

2. European Union, to whose establishment the Member States have pledged themselves, remains a Community objective, despite the difficulties which the Community is encountering and the crises it is having to face.

1980 witnessed important and serious developments which, without a strong sense of Community spirit, could have shaken the whole basis of the Community. The solution to the crisis over Britain's budgetary contribution and budgetary problems may in the future be seen as proof of the determination of Member States to continue to move towards European Union, whatever the obstacles.

POLITICAL AND INSTITUTIONAL EUROPE

3. The European Community is seen by the world outside as a coherent political structure playing its part on the international stage. Thus in 1980, a year of serious international tensions, the Member States showed their cohesion, both in their careful elaboration of common positions on external questions within political co-operation, and at major international meetings such as the Venice Western Summit.

4. Internally a feature of the Community's institutional affairs has been the vigour of the European Parliament. The new sense of purpose resulting from the European elections has been translated into the reality of the daily life of a Parliament which has become the forum where all shades of political opinion can be heard on the main Community issues.

The question of the 1980 budget was a major issue in the first part of the year. After the rejection of the draft budget by the Parliament in December, the task of the Council and the Commission was made all the more complicated by the fact that this year's budget was connected with the problems of the British contribution, farm prices and the organisation of the market for sheepmeat.

After the Council session of 30 May the Council was in a position to present a draft budget which the Parliament adopted at its part-session in July. The proceedings on 30 May had produced a solution to the problem of Britain's contribution under which this was to be reduced for the next two years and transfers of funds were to be made through an active policy of structural investment in favour of Britain. Arrangements were also devised for dealing with the problems of farm prices, sheepmeat and fisheries.

In the context of the overall solution the Community agreed to put in hand structural reforms aimed at a more balanced development of those common policies designed to bring about convergence between the Member States' economies and their harmonious development. The Commission was given a mandate to make a study by the end of June 1981 of the scope for adjusting and developing Community policies without calling into question either common financial responsibility based on own resources or the basic principles of the common agricultural policy. This study is to take account of the situations and interests of all the Member States, and to be aimed at ensuring that unacceptable situations do not recur in the future for one or more Member States.

ECONOMIC AND SOCIAL EUROPE

5. The crisis in the world economy inevitably had its impact on the Community, but by and large the Community mechanisms made it possible to withstand or at any rate to mitigate it. Thus the level of productive activity enabled the estimates of the growth in gross domestic product in 1980 to be revised slightly upward, and unemployment to be contained.

6. On the monetary side, despite steadily rising oil prices, the Community reacted fairly well to movements which, had it not been for the solidarity established by the European Monetary System, would have caused major alterations in exchange rates. It took steps to prevent erratic capital movements resulting from the surpluses run by the oil-producing countries, one of its immediate aims being the recycling of this capital or its mobilisation in operations for the benefit of developing countries.

Unfortunately inflation remains worrying, particularly as it is unevenly distributed and could lead later on to balance of payments disequilibria and pressures on exchange rates.

7. Among the Institutions' main concerns remains the creation of the genuine Community-wide internal market which was one of the Community's initial objectives. The Commission has been concerned by developments in the Community in the last few years as regards technical obstacles to trade and has accordingly taken a recent Court of Justice judgment as basis for a new departure in its drive against impediments to the free movement of goods. It expects the Council to reach a decision without delay on its proposed information procedure on technical standards and regulations. It hopes that a joint effort by its own and the Member States' officials will halt the return of protectionism that has been noticeable in recent years and which could eventually result in renewed divisions into national markets.

8. The oil crisis is still weighing very heavily on the Community economy. The Council has made a notable contribution to the launching of a common energy policy by fixing the Community's energy targets for 1990 and agreeing on the convergence of the Member States' energy policies. Another contribution has been its decisions on an energy-saving policy, whose importance in present circumstances hardly needs to be stressed.

In pursuit of its objective of scientific and technical progress, the Community has adopted a new multi-annual Joint Research Centre programme for 1980-83, which provides for the continuation of projects begun under the current programme and which contains in addition a number of new points, several of them closely connected with energy, environment and agriculture policy.

9. The state of the European steel industry this year caused the Community serious concern. When voluntary restraints on sales proved unworkable, the Commission, for the first time in the Community's history, announced a state of manifest crisis and instituted a system of production quotas. It took administrative steps to monitor the implementation of directives issued to the steel enterprises under Article 58 of the ECSC Treaty in order to bring the market back into balance.

10. The common agricultural policy was the focus of attention in the early part of the year. It was in order to influence the CAP that the European Parliament rejected the budget, and it was the CAP that was at the centre of the debate over Britain's contribution. Nonetheless the management of the agricultural and the fisheries policies was pursued this year, once the hurdle of the price-fixing had been cleared. It is obvious, however, that the adjustments which the incoming Commission will be proposing to the Council will be of great importance for the future of this sector.

11. The social situation in the Community has been directly affected by economic developments. With six million unemployed at the end of 1979, a dynamic Community employment policy is of the highest priority. The European Council meeting in Venice strengthened the resolve of the Community institutions to launch such a policy by both cyclical and structural action. It was for example agreed that the employment implications of Community policies should always be assessed when they were being drawn up. To the extent that funds are available every effort is also being made to see that social measures are put into effect in conjunction with the restructuring of certain crisis-hit sectors of industry. Conciliation with the two sides of industry, to which the Council has given fresh momentum, should enable the achievement of certain specific objectives in a number of the particularly sensitive industrial sectors.

EUROPE IN THE WORLD

12. The solidarity of the Community has over a number of years developed more rapidly externally than internally. Whereas in many areas the introduction of common policies is making little progress, the Community continued to turn a dynamic face to the outside world during 1980 and to give the appearance of being well established on the international scene.

The impending accession of three more countries shows that the Community continues to exercise an attraction. The entry of Greece is fixed for 1 January 1981 and negotiations with Spain and Portugal are proceeding, despite public apprehensions to which the prospect of their accession has given rise in some Member States. The Community is nonetheless going ahead with negotiations which cover many questions and which have already enabled it to provide Portugal with immediate financial aid designed to assist the Portuguese economy in meeting the problems of accession.

13. The Community's open policy towards third countries has also led it to strengthen relations with Yugoslavia, and, in another form, with Romania.

The cooperation agreement with Yugoslavia is a new departure in Community/Yugoslav relations, and a particularly important one in the period through which Yugoslavia is passing. The agreement, which is sui generis, is of unlimited duration and takes account of Yugoslavia's position as a European, non-aligned, Mediterranean country belonging to the Group of Seventy-Seven developing countries.

The agreement with Romania on trade in manufactures completes the earlier agreements on textiles and steel products, and covers 90 % of the Community's trade with Romania. The fact that it provides for a Joint Committee gives Community/Romanian relations a dimension which the technical understandings with Bulgaria, Hungary, Czechoslovakia and Poland do not have.

14. The Community has pursued its policy of cooperation agreements with a number of countries further afield. Its agreement with Brazil marks a new stage in relations between the Nine and Latin America : this instrument, an outline agreement on economic and trade cooperation on the lines of that with Mexico constitutes a new dimension in Europe's economic and political relations with Latin America.

15. The Community has continued its endeavours this year to pursue an open and dynamic commercial policy while safeguarding the vital interests of Community industries. Following the GATT negotiations, it embarked on a review of its commercial policy towards the major industrialized countries, of which Japan is one of the most important.

As regards the United States the Community remained vigilant. Those problems which arose - man-made fibres, steel, etc. - were settled bilaterally, and without damaging relations between the two biggest trading partners in the world.

16. As in the past, the Community pursued in 1980 a dynamic policy of aid to the developing countries. The Second Lomé Agreement was ratified during the year by a great many of the contracting parties, and was also extended to include newly-independent developing countries : the accession of Zimbabwe is obviously a political and economic event of great significance given Zimbabwe's importance and recent history. The accession of St Vincent and Vanuatu should also be noted.

EUROPE AND THE EUROPEANS

17. There has been decidedly little progress by the Community this year on matters directly affecting the private citizen. This intermediate area of activity, which is on occasion pursued outside the limits within which the Community normally operates, has doubtless been adversely affected by the gloomy economic situation and a general disinclination to introduce new policies.

However the Council agreed on the introduction of a European driving licence, to be first issued in 1983. The starting date for Summer Time in the countries using it was also finally arranged.

1980 was certainly a good year for the consumer associations, which successfully aroused public opinion over the use of hormones in veal production. This led the Council to agree to draw up Community rules in this area. The Community also adopted quality standards for air and drinking-water, which will be much to the benefit of the health of Europe's citizens.

Unfortunately little progress was made in the matter of the European passport, or of the abolition of checks at internal Community frontiers.

18. On balance, 1980 cannot be said to have been a year of much progress by the Community towards European Union. However, it certainly was not a year of retreat. The Community is facing the world crisis in the same way as the other industrialized powers, and has managed to pursue its policies, including its financial assistance, towards the developing countries. Moreover there can be no doubt that had each State been acting on its own, it would have suffered even more severely from the world economic situation.

Common policies do of course take a long time to establish. There have been clear indications of a possible resurgence of protectionism within the Community, but the essential has been preserved.

What matters most, now as in the past, is to maintain the political will of the nine Member States - soon to be ten - to go forward towards the goal they have set themselves.