

010  
SUBJECT  
"ops  
Master

ccpc



MINISTER-PRESIDENT

Nr:368071. The Hague, 26th June, 1986.

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T1163/86

Dear Prime Minister,

./.  
I enclose a copy of the English translation of the report "The Unfinished European Integration" recently presented to the Netherlands Government by the Scientific Council For Government Policy, an independent statutory body which advises the Government on probable long-term trends and the policies which should accordingly be pursued.

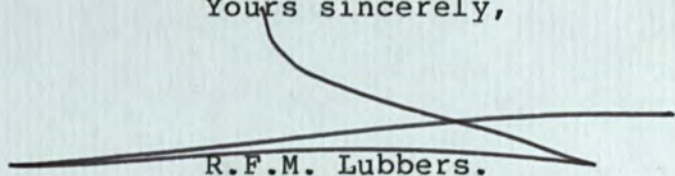
in folder  
attached

The report contains an analysis of the current state of affairs in Europe and makes specific proposals for advancing the process of economic integration, focusing on the integration of the market for industrial products and the reform of the Common Agricultural Policy.

Although the report is, of course, intended for the Netherlands Government, its general approach may be of interest to you, particularly in its efforts to indicate ways of advancing the integration process, using existing powers wherever possible.

Please accept, Prime Minister, the assurances of my highest consideration.

Yours sincerely,



R.F.M. Lubbers.

Rt. Hon. Margaret Thatcher, M.P.  
Prime Minister of the  
United Kingdom.



Your letter dated  
Subject

Reference

Date June 1986

## 'THE UNFINISHED EUROPEAN INTEGRATION'

This report focuses on the need to complete the stagnating process of European economic integration by finishing the internal market for industrial products and services and by a reorientation of the Common Agricultural Policy (CAP). Such progress is essential if the Community is to withstand the threat posed by structural changes at world level, especially the competition from the United States, Japan and the newly industrialized countries.

As discussed in the report, the capacity to conduct national economic policies has been eroded by the unfinished state of market integration, a 'leakage' effect for which the Community has so far been unable to compensate. On the assumption that there will be no appreciable decline in the need for government intervention over the next few years, and that the continuing completion of the internal market will further undermine the capacity of the Member States to conduct independent policies, enlargement of the Community's policy-making capacity will continue to demand major attention.



This report accordingly deals with two aspects of the integration process: 'negative' integration (the elimination of national barriers towards the introduction of a single, unified market) and 'positive' integration (i.e. the implementation of common or Community co-ordinated policies). These two aspects are inextricably linked where national governments pursue policies. When (as at present) negative and positive integration are inadequately co-ordinated, integration 'deficits' arise that disrupt the functioning of the common market and limit the effectiveness of official policies (both communal and national) within the Community.

Deficits also arise in relation to national policies outside the acquis or actual areas of integration. The marked increase in government responsibilities over the past thirty years and the associated rise in the level of government intervention have brought the problem of co-ordination into the focus of attention, both with respect to interventions by the Member States and as regards the macro-economic and monetary policies complementing the introduction of the common market.

This report has sought to identify solutions that are consistent with the particular nature of individual areas of policy and also politically realistic and feasible. The complexity of the phenomenon of unfinished integration renders it pointless to look for single, all-embracing solutions. Thus progress may be made in some areas by delegating greater powers from the Council of Ministers to the European Commission, while in others closer co-operation between Member States will be the most feasible course.

The problems of unfinished integration have been tackled in relation to two main aspects: the market for industrial products (and, in conjunction with this, the market for services) and the market for agricultural products.

The importance is stressed of achieving a large, homogeneous home market for industrial products and services for Western Europe as a whole. This will require further unification of the common commercial policy, strengthening and broadening of the common competition policy, and improved co-ordination by the



Member States of their national industrial policies. The report makes many recommendations on this score and devotes particular attention to the shaping of a European industrial and technology policy.

Agricultural policy is discussed in terms of three problems: surpluses and the associated financing problems, marginal areas, and environmental problems. It is argued that the current agricultural policy relies excessively on the price-fixing mechanism to achieve both market equilibrium and an acceptable level of income for the agricultural community. Taken together with technical progress, which means that increasing yields will continue to be produced more and more cheaply, large production surpluses have been generated. It is argued that a system of quota arrangements in the Community will not solve these problems. As a solution, the WRR recommends a reorientation in the form of a more market-oriented agricultural policy, with a general reduction in prices towards world levels, together with the development and funding of new instruments to help the poorer agricultural areas in the Community.

Finally some institutional problems of the Community are viewed as deriving from substantive issues. The need to enhance the decision-making capacity of the EC will mean that the unanimity principle for Council decision-making will have to be reviewed from area to area of policy and where appropriate abolished. The proposals made along these lines in the Single Act of European Union would, if properly observed, effect some improvement, but would not fully satisfy the requirements for a minimal solution to the substantive problems.