

THE EUROPEAN COUNCIL

**LUXEMBOURG
2-3 DECEMBER 1985**

Documents in the dossier include:

Luxembourg European Council

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European Community Leaders Agree to Modify Founding Treaty
European Community News No. 41/1985
European Community Information Service
Washington DC

1. Luxembourg European Council

1.1.1. The European Council, which met in Luxembourg on 2 and 3 December, reached agreement in principle on a reform of the Community's institutions designed to improve its efficiency and extend its powers and responsibilities.

The final agreement includes monetary cooperation, the internal market, economic and social cohesion, technological cooperation and the social dimension, which Mr Delors sees as constituting the basis of the Community's revival. 'The agreement gives the Community new horizons for the next 20 years'.

The agreement, secured after thirty hours of relentless discussion, includes wider use of majority voting in order to achieve a single large Community market between now and the end of 1992, extension of Community competence to cover new areas—monetary policy, research and technology, and the environment—stronger financial solidarity between Member States, increased powers for the European Parliament and a legal framework of cooperation on foreign policy.

The Italian Prime Minister, Mr Bettino Craxi, reserved his final agreement until the European Parliament had given its opinion, in the belief that the reform did not go far enough; the Danish Prime Minister, Mr Poul Schlüter, made his final agreement dependent on consultation with the Danish Parliament.

It is for the Foreign Ministers, who will meet again at the Intergovernmental Conference on 16 and 17 December, to settle a number of matters left unresolved by the Heads of State or Government. They will also consider the 'single act' containing amendments to the EEC Treaty and the text on political cooperation.

The agreement cannot come into force until the national parliaments of the enlarged Community have considered it with a view to ratification.

The conclusions of the President of the European Council on the proceedings of the

Conference, the conclusions of the Presidency, the texts agreed by the European Council on the revision of the EEC Treaty and the draft Treaty on European cooperation in the sphere of foreign policy are reproduced below.

Conclusions of the President of the European Council on the proceedings of the Conference of Representatives of the Governments of the Member States

The President made the following statement:

I. The outcome of the deliberations of the European Council is to be considered the final decision on the matters dealt with.

Denmark has stated that it is unable to take a position.

Italy has made its final acceptance conditional upon examination by Parliament.

There are also a few reservations on specific points, namely:

(a) cohesion: reservations by Greece, Ireland and Italy;

(b) European Parliament: reservation by Italy;

(c) social policy: reservation by the United Kingdom.

II. The Conference will meet again at Foreign Minister level on 16 December 1985 to finalize the texts and take decisions, where appropriate, on those points on which the European Council has reached no decision and which are referred to the Ministers.

The Ministers will also determine the form in which the results of the Conference on the amendment of the Treaty establishing the EEC and the draft Treaty on political cooperation on foreign policy are to be presented.

The President of the European Council will communicate the texts to the European Parliament. The President of the European Council will also make an oral presentation of the results of the Conference and will take part in the debate to be organized by the European Parliament on that occasion.

Conclusions of the European Council

Conclusions of the Presidency

Economic and social situation

I. The European Council examined the economic and social situation in the Community on the basis of an initial statement of the strengths and weaknesses of the European economies which the President of the Commission had submitted at its request.

It stresses the importance of the progress already made by the European economies over the last ten years with a significant reduction in energy dependence and modernization of traditional industries, while maintaining a high degree of openness to international competition.

For the future, the Council reaffirms that the achievement of the full internal market by 1992 and increased technological cooperation in Europe will make it possible to lay the foundations for the international competitiveness of the European economies and to meet the challenges of the third industrial revolution.

II. The Council welcomed the very significant progress made by most of the Member States towards rationalization and economic recovery. It notes that this progress and the increased convergence of economic policies have already made it possible to stabilize the level of unemployment in the Community and even to reduce it in some countries.

The Council considers that, on this basis, the European economies are able to achieve better performance as regards growth and employment.

It took note of the strategy of cooperation for growth and employment outlined by the Commission in its annual economic report; it calls upon the Ecofin Council to examine, on that basis, the conditions for establishing non-inflationary growth leading to a substantial drop in unemployment.

The European Council stressed the role which the Community must play in the recovery of world trade, more especially with a view to the forthcoming GATT multilateral negotiations. It also again referred to the Community's responsibility towards countries of the Third World, which will through growth and economic development become active partners in world trade.

III. The Council also wished to emphasize that, apart from general economic policies, progress

was necessary to improve the environment for undertakings. Referring to its conclusions in Brussels in March 1985, the Council wanted a practical sign to be given of its desire to reduce the administrative and legal constraints which hold back the creation and development of small and medium-sized undertakings. In this connection, it noted with interest that the Commission was undertaking to:

(i) assess the implications each new proposal would have for undertakings and job creation;

(ii) commence examining the most important of the existing Community regulations in order to establish how far simplifying them might be beneficial to small and medium-sized undertakings and encourage an environment more favourable to job creation;

(iii) make arrangements for internal coordination of the preparation of initiatives designed to simplify the administrative, fiscal and legal environment for SMUs, with the wider aim of including the development of SMUs and employment among the priorities for work in the legal field.

The European Council attaches particular importance to those measures being given practical effect as soon as possible.

In the same spirit, the Council held an exchange of views on the numerous steps taken in each of the Member States to improve the functioning of the labour market. It agreed on the importance of measures to promote training, motivation, mobility and flexibility of the labour market. For this reason, it attaches major importance to the joint statement of intent by management and labour on a European scale regarding social dialogue and new technology.¹ It emphasized the usefulness of such contacts and would like these to continue with the assistance of the Commission, in the search for solutions to practical problems.

Finally, the Council asked the Commission to complete the work it had begun further to its requests in March and June 1985 and to report back to it in 1986.

Monetary cooperation

The European Council requested the Commission to let it have a progress report, before the end of 1987, on the European Monetary System and the liberalization of capital movements.

¹ Joint statement by the Union of Industries of the European Community, the Economic and Social Committee and the European Centre of Public Enterprises, Val Duchesse, Brussels, 12 November 1985.

Fight against cancer

On the initiative of France, the European Council in Milan stressed the importance of launching a European programme against cancer.

The European Council took note of a communication from the Italian and French Governments on this matter. It requested the Ministers for Foreign Affairs to examine at their next meeting the best way of quickly and effectively following up that initiative.

Texts from the European Council ¹**Internal market***Article 1*

The Community shall adopt measures intended progressively to establish the internal market in the course of a period expiring on 31 December 1992, in accordance with the following provisions, without prejudice to the other provisions of the Treaty.

The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of the Treaty.

Article 2

1. In Articles 28; 57(2), second sentence;² 59, second paragraph; 70(1)² and 84 the terms 'unanimously' or 'unanimity' shall be replaced by 'by a qualified majority' or 'a qualified majority' respectively.

2. The provisions of Article 99 shall be replaced by the following: The Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, adopt provisions on the harmonization of legislation concerning turnover taxes, excise duties and other forms of indirect taxation to the extent that such harmonization is necessary to ensure the establishment and the operation of the internal market within the time limits laid down in Article 1.

3. Article 100a shall be inserted after Article 100.

Article 100a

By way of derogation from Article 100 and save where otherwise provided in this Treaty, the following provisions shall apply for the attainment of the objectives of Article 1. The Council shall,

acting by a qualified majority on a proposal from the Commission after consulting the European Parliament and the Economic and Social Committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and operation of the internal market.

The first paragraph shall not apply to fiscal provisions, to those relating to the free movement of persons nor to those relating to the rights and interests of employed persons.

The Commission's proposals for the approximation of laws on health, safety, environment protection and consumer protection will be based on a high level of protection.

If, after the adoption of a harmonization measure or a Decision pursuant to Article 6 by the Council acting by a qualified majority, a Member State deems it necessary to apply national provisions on grounds of major needs as referred to in Article 36, or relating to protection of the working environment and the natural environment, it shall notify the Commission of these provisions.

The Commission shall confirm the provisions involved after having verified that they are not a means of arbitrary discrimination or disguised restriction in trade between Member States.

By way of derogation from the procedure laid down in Articles 169 and 170, the Commission or any Member State may bring the matter directly before the Court of Justice if it considers that another Member State is making improper use of the powers provided for in this Article.

The harmonization measures referred to above shall, in appropriate cases, include a safeguard clause authorizing the Member States to take, for one or more of the non-economic reasons referred to in Article 36 of the Treaty, provisional measures subject to a Community control procedure.

Article 3

When drawing up its proposals with a view to achieving the objectives of Article 1, the Commission shall take into account the extent of the effort that certain economies showing differences

¹ The final texts emerging from the Intergovernmental Conference of 16 and 17 December will be published in the December Bulletin.

² The Conference signified its agreement to retention of the unanimity rule for measures affecting the fundamental principles of professional organization (*Berufsordnung*) and for measures constituting a step back with regard to liberalization of capital movements.

in development will have to sustain during the period of establishment of the internal market and it may propose appropriate provisions.

If these provisions take the form of derogations, they must be of a temporary nature and must cause the least possible disturbance to the functioning of the common market.

Article 4

Delegation of competence to the Commission to be regulated on the basis of the decision on the powers of execution of the Commission. The Commission has proposed an Advisory Committee.

Article 5

The Commission shall deliver a report to the Council before 31 December 1988 and again before 31 December 1990 on the progress made towards achieving the internal market within the time limit fixed in Article 1.

The Council, acting by a qualified majority on a proposal from the Commission, shall determine the guidelines and conditions necessary to ensure balanced progress in all the sectors concerned.

Article 6

During 1992, the Commission shall, together with each Member State, draw up an enumeration of national laws, regulations and administrative provisions which fall under Article 100a and which have not been harmonized pursuant to that Article.

The Council, acting in accordance with the provisions of Article 100a, may decide that the provisions in force in a Member State must be recognized as being equivalent to those applied by another Member State.

The Commission shall draw up the enumeration referred to in the first paragraph and shall submit appropriate proposals in good time so as to allow the Council to act before the end of 1992.

Article 7¹

The preceding provisions shall not derogate from the stipulations of the Treaty of Accession of Spain and Portugal.

Statements for inclusion in the record of the Conference

Re Article 1

The Conference wishes by means of the provisions in Article 1 to firmly express its political will to

take the decisions necessary before 1 January 1993 to complete the internal market defined in the provisions in question. This particularly concerns decisions necessary to implement the Commission's programme described in the White Paper on the Internal Market.

By setting the date of 31 December 1992, the Member States have not created a legal obligation.

— Unilateral statement by Greece

Greece considers that the development of Community policies and actions, and the adoption of measures on the basis of Articles 70(1) and 84, must both take place in such a way as not to harm sensitive sectors of Member States' economies.

Re Article 2(3)

In its proposals pursuant to the first paragraph of Article 100a the Commission shall give precedence to the use of the instrument of a directive if harmonization involves the amendment of legislative provisions in one or more Member States.

Re Article 6

The Conference considers that, since Article 3 is of general application, it also applies to the proposals which the Commission is required to make under Article 6.

General statement

Nothing in these provisions shall affect the right of Member States to take such measures as they consider necessary for the purpose of controlling immigration from third countries, and to combat terrorism, crime, the traffic in drugs and illicit trading in works of art and antiques.

Political declaration by the Government of the Member States

In order to promote the free movement of persons the Member States shall cooperate, without prejudice to the powers of the Community, in particular as regards the entry, movement and residence of nationals of third countries. They shall also cooperate in the combating of terrorism, crime, the traffic in drugs and illicit trading in works of art and antiques.

¹ This provision should be made to apply generally to all amendments made to the EEC Treaty.

Monetary capacity

1. The reference to Economic and Monetary Union appears in the preamble to the text amending the Treaty of Rome, which reads as follows:

- Whereas the Heads of State or Government, at their Conference in Paris from 19 to 21 October 1972, approved the objective of the progressive achievement of Economic and Monetary Union;
- Considering the Annex to the conclusions of the Presidency of the European Council meeting in Bremen on 6 and 7 July 1978 and the Resolution of the European Council meeting in Brussels on 5 December 1978, concerning the setting-up of the European Monetary System (EMS) and related questions;
- Whereas, on the basis of that Resolution, the Community and the Central Banks of the Member States have taken a number of measures designed to implement monetary cooperation.

2. In Title II 'Economic Policy', the following should be added before the chapter on conjunctural policy:

Chapter 1 'Cooperation in economic and monetary policy' (Economic and Monetary Union)

New Article to be added before Article 103:

(1) In order to ensure the convergence of economic and monetary policies which is necessary for the further development of the Community, Member States shall cooperate in accordance with the objectives of Article 104. In doing so, they shall take account of the experience acquired in cooperation in the framework of the European Monetary System and in developing the ECU, and shall respect existing powers in this field.

(2) In so far as further development in the field of economic and monetary policy necessitates institutional changes, the procedure laid down in Article 236 shall be applicable. The Commission, the Monetary Committee and the Committee of Governors of the Central Banks shall be consulted regarding institutional changes in the area of monetary policy.

Cohesion

Article 1

In order to promote its harmonious development overall, the Community shall develop and pursue its actions leading to strengthening its economic and social cohesion.

In particular the Community shall aim at reducing disparities between the various regions and miti-

gating the backwardness of the least-favoured regions.

Article 2

Member States shall conduct their economic policies, and shall coordinate them, in such a way as, in addition, to attain the objectives of Article 1. The implementation of the common policies and of the internal market shall take into account the objectives of Article 1 and of Article 3 and shall contribute to their achievement. The Community shall support the achievement of these objectives by the action it takes through the structural Funds (EAGGF (Guidance Section), Social Fund, ERDF), the EIB and other existing financial instruments.

Article 3

The ERDF is intended to help redress the principal regional imbalances in the Community through participating in the development and structural adjustment of regions whose development is lagging and in the reconversion of declining industrial regions.

Article 4

Once the Treaty enters into force the Commission shall submit a comprehensive proposal to the Council; the purpose of this proposal will be that the structure and operational rules of the existing structural Funds which are adequately financed so far as budgetary resources permit (EAGGF (Guidance Section), European Social Fund, ERDF) are to be amended as necessary to clarify and rationalize the Funds' tasks in order to contribute to the achievement of the objectives of Article 1 and Article 3 and to increase their efficiency and coordinate their activities between themselves and with the activities of the existing financial instruments. The Council shall act unanimously on this proposal within a period of one year, having beforehand consulted the European Parliament and the Economic and Social Committee.

Article 5

After adoption of the decision referred to in Article 4, implementing decisions relating to the ERDF shall be taken by the Council acting by a qualified majority on a proposal from the Commission, after consulting the European Parliament.

With regard to the EAGGF (Guidance Section) and the Social Fund, the provisions of Articles 43, 126 and 127 shall remain applicable respectively.

European Parliament

Article 1

A cooperation procedure shall be introduced which shall apply to acts based on Articles 7, 49, 54(2), 56, 57 and 100a of the Treaty establishing the European Economic Community. The cooperation procedure shall also apply to acts based on Article 11(2) of the text on research and technological development and on Article 5 of the text on cohesion and also on acts to be taken by a qualified majority pursuant to Article 118.

Article 2

The provisions of Article 149 of the Treaty establishing the European Economic Community shall be replaced by the following:

1. Where, in pursuance of this Treaty, the Council acts on a proposal from the Commission, unanimity shall be required for an act constituting an amendment to that proposal.

2. Where, in pursuance of this Treaty, a Council act is adopted in cooperation with the European Parliament, the following procedure shall apply:

(a) The Council, acting by a qualified majority under the conditions of paragraph 1 above, on a proposal from the Commission and after obtaining the opinion of the European Parliament, shall adopt a common position.

(b) The Council's common position shall be transmitted to the European Parliament. The Council and the Commission shall inform the Parliament fully of the reasons which led the Council to adopt its common position and also of the Commission's position.

If, within three months of such communication, the European Parliament approves this common position or has not taken a decision within that period, the Council shall definitively adopt the act in question in accordance with the common position.

(c) Within the period of three months referred to in paragraph 2(b), the European Parliament may, by an absolute majority of its constituent members, propose amendments to the Council's common position. The European Parliament may also reject the Council's common position by the same majority. The result of the proceedings shall be transmitted to the Council and the Commission.

If the Parliament has rejected the Council's common position, unanimity shall be required for the Council to act on a second reading.

(d) The Commission shall, within the period of one month, re-examine the proposal, on the basis of which the Council adopted its common position,

by taking into account the amendments proposed by the European Parliament.

(e) The Council, acting by a qualified majority, shall adopt the proposal re-examined by the Commission.

Unanimity shall be required for the Council to amend the Commission's re-examined proposal.

(f) The Council shall be required to act within a period of three months.

3. As long as the Council has not acted, the Commission may alter its original proposal at any time during the procedure.

Article 3

The provisions of the first paragraph of Article 237 shall be replaced by the following:

Any European State may apply to become a member of the Community. It shall address its application to the Council which, after consulting the Commission, shall act unanimously after receiving the assent of the European Parliament which shall act by a majority of its members.

Article 4

The provisions of the second paragraph of Article 238 shall be replaced by the following:

The agreements shall be concluded by the Council, acting unanimously and after receiving the assent of the European Parliament which shall act by a majority of its members.

*

In respect of the cooperation procedure, the European Council instructed the Conference of Representatives of the Member States to:

(i) clarify the procedure to be followed in the event of the European Parliament rejecting the Council's position at its second reading;

(ii) spell out the procedure to be followed in order to avoid any legal vacuum, in the event of the Council not acting by the three-month deadline laid down in point (f), it being agreed that the Council will take the final decision.

The Commission's management and implementing powers

Article 145

To ensure that the objectives set out in this Treaty are attained, the Council shall, in accordance with the provisions of this Treaty:

- (i) ensure coordination of the general economic policies of the Member States;
- (ii) have power to take decisions;
- (iii) confer on the Commission, in the acts which it adopts, powers for the implementation of the rules it lays down. The Council may impose certain requirements in respect of the exercise of these powers. The Council may also reserve the right in specific cases to exercise implementing powers itself directly. The procedures referred to above must be consonant with principles and rules to be laid down in advance by the Council, acting unanimously on a proposal from the Commission and after obtaining the opinion of the European Parliament.

Research and technological development

Article 1

1. The Community's aim shall be to strengthen the scientific and technological basis of European industry and to encourage it to become more competitive at international level.
2. In order to achieve this, it shall encourage undertakings including small and medium-sized undertakings, research centres and universities in their research and technological development activities; it shall support their efforts to cooperate with one another, aiming, in particular, to enable undertakings to exploit the Community's internal market potential to the full, *inter alia* through the opening up of national public contracts, the definition of common standards and the removal of legal and fiscal barriers to that cooperation.
3. In the achievement of these aims, particular account shall be taken of the connection between the joint research and technological development effort, the establishment of the internal market and the implementation of joint policies, particularly as regards competition and trade.

Article 2

In pursuing these objectives the Community shall carry out the following activities, complementing the activities carried out in the Member States:

- (a) implementation of research, demonstration and technological development (RDTD) programmes, by promoting cooperation with undertakings, research centres and universities;
- (b) promotion of cooperation with third countries and international organizations in the field of Community RDTD;

- (c) dissemination and optimization of the use of the results of Community RDTD activities;
- (d) stimulation of the training and mobility of researchers in the Community.

Article 3

In liaison with the Commission, the Member States shall coordinate among themselves the policies and programmes carried out at national level. In close contact with the Member States, the Commission may take any useful initiative to promote such coordination.

Article 4

The Community shall adopt a multiannual framework programme setting out all its activities. The framework programme shall lay down the scientific and technical objectives, define their respective priorities, set out the main lines of the activities envisaged and fix the amount deemed necessary, the detailed rules for financial participation by the Community in the programme as a whole and the breakdown of this amount between the various activities envisaged.

2. The framework programme may be adapted or supplemented, as the situation changes.

Article 5

The framework programme shall be implemented through specific programmes developed within each activity. Each specific programme shall define the detailed rules for implementing it, fix its duration and provide for the means deemed necessary.

The Council shall define the detailed arrangements for the dissemination of knowledge resulting from the specific programmes.

Article 6

In implementing the multiannual framework programme, supplementary programmes may be decided involving the participation of certain Member States only, which shall finance them subject to possible Community participation.

The Council shall adopt the rules applicable to supplementary programmes, particularly as regards the dissemination of knowledge and the access of other Member States.

Article 7

In implementing the multiannual framework programme, the Community may make provision, with the agreement of the Member States concerned, for participation in research and development programmes undertaken by several Member States, including participation in the structures created for the execution of those programmes.

Article 8

In implementing the multiannual framework programme, the Community may make provision for RDTD cooperation with third countries or international organizations.

The detailed arrangements for such cooperation may be the subject of international agreements between the Community and the third parties concerned which shall be negotiated and concluded in accordance with Article 229.

Article 9

The Community may set up joint undertakings or any other structure necessary for the efficient execution of Community RDTD programmes.

Article 10

1. The detailed arrangements for financing each programme, including any Community contribution, shall be established at the time of the adoption of the programme.

2. The amount of the Community's annual contribution shall be laid down under the budget procedure, without prejudice to other possible methods of Community financing. The estimated cost of the specific programmes must not in aggregate exceed the financial provision in the framework programme.

Article 11

1. The Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, adopt the provisions referred to in Articles 4 and 9.

2. The Council shall, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament, adopt the provisions referred to in Articles 5, 6, 7 and 10. The adoption of the supplementary pro-

grammes shall also require the agreement of the Member States concerned.¹

Environment

Article 1

1. Action by the Community relating to the environment shall have the following objectives:

(i) to preserve, protect and improve the quality of the environment;

(ii) to contribute towards protecting human health;

(iii) to ensure a prudent and rational utilization of natural resources.

2. Action by the Community relating to the environment shall be based on the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source, and that the polluter should pay. Environmental protection requirements shall be a component of the Community's other policies.

3. In preparing its action relating to the environment, the Community shall take account of:

(i) available scientific and technical data;

(ii) environmental conditions in the various regions of the Community;

(iii) the potential benefits and costs of action or of lack of action;

(iv) the economic and social development of the Community as a whole and the balanced development of its regions.

4. The Community shall take action relating to the environment to the extent to which the objectives referred to in paragraph 1 can be attained better at Community level than at the level of the individual Member States. Without prejudice to certain measures of a Community nature, the Member States shall finance and implement the other measures.

5. Within their respective spheres of competence, the Community and the Member States shall cooperate with third countries and with the competent international organizations. The arrangements for Community cooperation may be the subject of agreements between the Community and the third parties concerned, which shall be negotiated and concluded in accordance with Article 228.

¹ Following the adoption of this provision it will be necessary to make technical adjustments to the last paragraph of Article 4 of the Decision on own resources.

The previous paragraph shall be without prejudice to Member States' competence to negotiate in international bodies and to conclude international agreements.

Article 2

The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall decide what action is to be taken by the Community.

Article 3

The protective measures adopted in common pursuant to Article 2 shall not prevent any Member State from maintaining and introducing more stringent protective measures compatible with the Treaty.

Declaration to be inserted in the record of the Conference

The Community's activities in the sphere of the environment must not interfere with national policies regarding the exploitation of energy resources.

Social policy

Draft texts supplementing Article 118

(a) *Working environment*

1. The Member States shall pay particular attention to encouraging improvements, especially in the working environment, as regards the health and safety of workers, and shall set as their objective the harmonization of conditions in this area, while maintaining the improvements.

2. In order to help achieve the objective laid down in the first paragraph, the Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt, by means of Directives, minimum requirements for gradual implementation, having regard to the conditions and technical rules obtaining in each of the Member States.

3. The provisions adopted pursuant to this Article shall not prevent any Member State from retaining or introducing more stringent measures for the protection of working conditions compatible with the Treaty.

(b) *Dialogue between both sides of industry*

The Commission shall endeavour to develop the dialogue between management and labour at European level which could, if those two sides consider it desirable, lead to agreements.

Draft Treaty on European cooperation in the sphere of foreign policy

Article 1

The High Contracting Parties, being members of the European Communities, shall endeavour jointly to formulate and implement a European foreign policy.

Article 2

1. The High Contracting Parties undertake to inform and consult each other on any foreign policy matters of general interest so as to ensure that their combined influence is exercised as effectively as possible through coordination, the alignment of their positions and the implementation of joint action.

2. Consultations shall take place before the High Contracting Parties decide on their final position.

3. In adopting its positions and in its national measures each High Contracting Party shall take full account of the positions of the other partners and shall give due consideration to the desirability of adopting and implementing common European positions.

In order to increase their capacity for joint action in the foreign policy field, the High Contracting Parties shall ensure that common principles and objectives are gradually developed and defined.

The determination of common positions shall constitute a point of reference for the policies of the High Contracting Parties.

4. The High Contracting Parties shall endeavour to avoid any action or position which impairs their effectiveness as a cohesive force in international relations or within international organizations.

Article 3

1. The Ministers for Foreign Affairs and a Member of the Commission shall meet at least four times a year within the framework of European political cooperation. They may also discuss foreign policy matters within the framework of political cooperation on the occasion of meetings of the Council of the European Communities.

tials: references to economic and monetary union, the EMS and the ECU, and scope for the Commission to speak in that sphere.

Chancellor Helmut Kohl said that Germany would have been willing to go further, particularly with regard to Parliament's powers. As for the internal market, he conceded that its achievement would demand sacrifices from everyone but emphasized the 'enormous' opportunities it offered to German industry. He also welcomed the swiftness with which the European Council had managed to resolve the 'extraordinarily difficult' problem of monetary policy.

Mrs Thatcher thought that the European Council's conclusions were clear and decisive but pointed out that for the United Kingdom the Intergovernmental Conference had been quite unnecessary. Back in London, she said that what they had had to do was reduce grossly exaggerated expectations to reasonable proportions. And this they had done.

Mr Wilfried Martens, the Belgian Prime Minister, expressed his country's satisfaction. On the issue of the single market he said that he had asked his colleagues to vote on the procedure to be followed in the event of derogations, a move which would have advanced the discussion.

For the Dutch Prime Minister, Mr Ruud Lubbers, the results obtained in respect of the internal market were quite substantial considering the scale of the problems involved.

At the other extreme, Mr Poul Schlüter, the Danish Prime Minister, said he was pleased with the results because in the end they did not involve any erosion of sovereignty.

The Prime Ministers of the two new Member States, Mr Anibal Cavaco Silva and Mr Felipe González Márquez, also took a fairly positive view, as did Mr Andreas Papan-dreou.

Mr Bettino Craxi, the Italian prime Minister, expressed his dissatisfaction, confirming that Italy intended to wait for the European Parliament's conclusions before giving

a final judgment. Mr Craxi's attack focused on the refusal to increase Parliament's role, the obstacles preventing a clear definition of the monetary dimension of European economic cooperation, the resistance to the principle of equal distribution of resources in order to achieve a satisfactory balance within the Community and the open hostility to any bid to put European cooperation on social affairs into effective practice.

Speaking in The Hague on 4 December, Mr Pierre Pflimlin, President of the European Parliament, on an official visit to the Netherlands at the invitation of the Dutch Parliament, expressed his disappointment at the outcome of the European Council. The Luxembourg decisions had brought no real improvement to the functioning of the institutions. No real legislative power had been conferred on Parliament, and the Community was still a strange democracy in which legislative power was wielded solely by the governments. The Luxembourg Summit had missed 'an historic opportunity to take a step towards European unity'.

Intergovernmental Conference

1.1.3. The Intergovernmental Conference convened to amend the EEC Treaty and to draft a treaty on a common foreign and security policy held three meetings during the month (11, 19 and 25-26 November) followed by a 'conclave' on 30 November and 1 December, at which it considered all the key issues put by the chair to the European Council in a summary memorandum.

At its meetings on 19 and 25-26 November it received a delegation from the European Parliament.

The 11 November meeting concentrated on research and technological development and the environment. On 19 November delegates continued the discussion started on 21 October on the internal market, cohesion and the powers of the European Parlia-

ment;¹ monetary policy was discussed for the first time at Conference level, as were political cooperation and the draft single act. On 25 and 26 November the proceedings focused on the internal market, cohesion, the powers of the European Parliament, technology and social policy, as well as on political cooperation and the single act.

Discussions took place at all the meetings on precisely how to define the internal market: the Conference was unable to choose between the two alternatives—'single market without internal frontiers' and 'area without frontiers'—and the matter was referred to the European Council.

The key feature of this particular discussion at the conclave was the about-turn by France to join those firmly supporting the Commission's phrase ('area without frontiers'). The question whether harmonization of indirect taxation (Article 99 of the EEC Treaty) really mattered to the internal market could not be resolved and was also referred to the European Council. The shift to majority voting for specific Articles of the EEC Treaty was also a talking point all through the meetings. Here the concern to exclude taxation provisions voiced from the outset² was maintained throughout. On the subject of the new Article 100a, much time was devoted to solving the problem shared by Denmark and Germany, which with their high standards were afraid of having to 'harmonize downwards', as well as the difficulties of the United Kingdom and Ireland, both of which called for derogations for the protection of health, animals and plants ('insular' clause).

At the 'conclave' a more positive attitude was noted on the part of Germany, which had expressed concern on the matter of standards: the Federal Republic declared itself willing to forgo a derogation for higher standards, while the Commission undertook to take account of higher standards in its proposals.

The discussions on monetary policy confirmed the importance attached by most of the Member States to the principle of adding

this dimension to the Treaty and, in contrast, the opposition to such a move already expounded by Germany and the United Kingdom.

The Conference already had before it a Commission proposal³ and an amendment by Belgium. These were supplemented by a proposal from the Netherlands as well as a paper from both the Commission and the Netherlands; the Commission proposal had meanwhile been amended. At the 'conclave' Germany moderated its stance somewhat.

On the subject of cohesion, widely differing positions of principle emerged. Mr Delors restated the principles underlying the Commission proposal⁴ and stressed that, unless these were followed, the Community would degenerate into nothing more than a free-trade area with provision for budgetary transfers. Yet during the 'conclave' none of the Member States contested the principles which the chair, in its summary memorandum, had asked the European Council to endorse: the vital importance of cohesion; national responsibility for economic development; boosting the efficiency and cohesion of the financial instruments; and the role of the ERDF.

The biggest bones of contention as regards research and technology were the content of the framework programme and specific programmes and the procedure for voting on them. Unlike the Presidency and the Commission, certain Member States wanted framework programmes containing broad indicative guidelines to be adopted by qualified majorities and detailed specific programmes, including decisions on financing, adopted unanimously.

Mr Delors stressed the need to adopt provisions affording maximum possible security for European industry. He also warned Member States against an excessively detailed framework programme; some flexibility was essential and could only be ensured if

¹ Bull. EC 10-1985, point 1.1.2.

² Bull. EC 10-1985, point 1.1.2.

³ Bull. EC 10-1985, points 1.1.5 and 1.1.6.

⁴ Bull. EC 9-1985, point 1.1.6.

the definition of the programme was not too rigid.

The environment did not give rise to major problems. The main difficulty was caused by Member States afraid of 'harmonizing downwards' from standards they had already adopted. Germany wanted to introduce a 'qualitative' or 'selective' veto (the need for the majority in majority voting to include a positive vote from the Member State with the highest standards); this suggestion was not taken up.

The discussions on social policy were based on a Commission proposal in the form of an addition to Article 117 and new Articles 118a and 118b. This did not produce any major problems apart from a reservation by the United Kingdom on majority voting for the adoption of directives involving 'minimum requirements' on improvements in working conditions and another by Germany and the United Kingdom on the inclusion in the Treaty of provisions concerning the two sides of industry.

With regard to the powers of the European Parliament the Conference, during the 'conclave', embarked on a fence-mending exercise with Parliament. This change of heart on the part of certain Member States was inspired by the 'new feeling' which had prevailed at the meeting on 26 November between the Conference and Parliament's delegation, which had seen the first genuine discussion, with each of the Member States making a contribution. Parliament's delegation had appreciated this gesture by the Conference, which had been requested by Mr Delors the day before.

Italy formally indicated that it would not endorse the conclusions of the Conference unless some way was found of substantially increasing Parliament's role; it proposed vesting Parliament with the power of co-decision, possibly on a gradual basis (aligned on the target date for the internal market). Denmark, on the other hand, contested both the principle of a second reading and the possibility offered to Parliament of influencing the Council's decision-making procedure (unanimity in the event of rejec-

tion by Parliament). The other Member States supported the Presidency's proposal for a procedure with three basic elements: introduction of a second reading by Parliament and the Council; vesting in Parliament of real powers in the decision-making process; definition of a system attaching specific legal consequences to Parliament's voting. For second readings by the Council, two arrangements are being considered: either the basic text would be the Commission proposal subject to amendment in accordance with Article 149, in which case the Commission would be involved throughout; or the basic text would be the text amended by Parliament, in which case Article 149 would no longer apply.

Following the meeting of 26 November between the Conference and a parliamentary delegation, in an attempt to take greater account of Parliament's concern, Mr Delors had submitted an alternative solution for the second reading, whereby the proposal re-examined by the Commission would be deemed adopted if the Council acting by a simple majority did not reject it. Subject to a slight amendment, Belgium supported this idea.

These three alternatives—the gradual acquisition of the power of co-decision, the Presidency's suggestion and the Commission's idea—were laid before the European Council.

On 2 December Parliament's enlarged Bureau sent a message to the European Council expressing its concern at and disagreement with the preparatory work submitted to the European Council concerning the reform of the Treaties. It stated that 'it would be dangerous for Europe if the Heads of State or Government were to try to conceal their differences behind a compromise without any real content or impact' and added that, if the Heads of State or Government could not reach a consensus, they would have to consider matters further rather than abandon the far-reaching reforms which are necessary.

1.1.4. The draft Treaty on European cooperation in the sphere of foreign policy,

drawn up by the Political Committee, was discussed by the Conference for the first time at its meetings on 19 and 26 November and was finalized by the Ministers during the 'conclave'.

Unlike the other issues dealt with by the Conference, endorsement of the Treaty on political cooperation did not raise any special problems. The general approach taken was to convert into a legal text all the provisions which had hitherto been the subject of non-legal documents (the Luxem-

bourg, Copenhagen and London reports and the Stuttgart Declaration) or were part of current practice.

It was decided to devote an article to security based on the above guidelines. The proposals of certain Member States to include provisions that went further than current practice did not secure a consensus.

The main procedural innovation was the creation of a small Brussels-based secretariat working under the authority of the Presidency.

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EUROPEAN COMMUNITY LEADERS AGREE TO MODIFY FOUNDING TREATY

European Community leaders have approved a package of reforms designed to streamline Community decision-making, build up Europe's economic and technological strength and improve political cooperation.

The E.C. Heads of State or Government (the European Council) endorsed the measures at a December 2-3 summit meeting in Luxembourg, agreeing to make fundamental revisions in the Community's 1957 founding Treaty Establishing the European Economic Community (E.E.C.).

The measures are weaker than those proposed by the E.C. Commission, which has strongly promoted efforts to revitalize the Community--particularly by removing national barriers to the free movement of people, goods, services and capital--and adapt its institutions to modern times. But Commission President Jacques Delors praised the summit results as a positive sign. "The Commission would have liked more, but it is nevertheless a compromise for progress, which we must try to transform into a dynamic compromise," he said.

The reform package provides for majority voting by the Council of Ministers in certain areas where a unanimous decision is now required, and it strengthens slightly the powers of the European Parliament. It also covers monetary cooperation, research and technology, environmental protection and social policy. It includes a separate treaty on coordinating member states' foreign policies.

The summit leaders worked from texts prepared by an Intergovernmental Conference composed of representatives of the 10 E.C. member states and future members Spain and Portugal. The Conference completed its work on December 1 in Luxembourg. At the summit, Denmark reserved its decision on the reform package, and Italy withheld final approval pending consideration by the European and Italian Parliaments. Those positions, and other matters relating to the reform measures, were scheduled for discussion by E.C. Foreign Ministers at a meeting today in Brussels.

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All treaty revisions must be ratified by the parliaments of the E.C. member states.

Ruud Lubbers, Prime Minister of the Netherlands, said his country will try to apply the "spirit of the agreement of Luxembourg" when it assumes the rotating Community presidency next month. Member states could begin immediately to make more decisions by majority voting, he said.

The text of the Luxembourg summit's communiqué, including statements on several matters unrelated to the reform package (economic and social situation, monetary cooperation and cancer), follows. The provisional treaty reforms appear as Annex I (p.5), and the draft Treaty on European Cooperation in the Sphere of Foreign Policy as Annex II (p.17). Also attached (Annex III, p.20) are E.E.C. articles that would be modified under the summit agreement.

CONCLUSIONS OF THE EUROPEAN COUNCIL

LUXEMBOURG, DECEMBER 2 AND 3, 1985

**CONCLUSIONS OF THE PRESIDENT OF THE EUROPEAN COUNCIL
ON THE PROCEEDINGS OF THE INTERGOVERNMENTAL CONFERENCE**

The European Council noted that the Governments of the Member States reached agreement on the following chapters:

- internal market
- monetary capacity
- cohesion
- European Parliament
- management and implementing powers of the Commission
- research and technological development
- environment
- social policy
- European Cooperation in the sphere of foreign policy

(the texts are set out in the Annex hereto)

Denmark has stated that it was unable to take a position on these texts. A blanket reservation on the part of Denmark therefore remains. Italy has made its final acceptance conditional upon examination by the Italian Parliament. There are also a few reservations on specific points.

These issues and a number of topics that the Conference was not in a position to consider in detail will be taken up again by the Ministers for Foreign Affairs, who are due to meet on December 16, 1985.

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Another issue which the Ministers for Foreign Affairs will consider is the submission of the results of the Conference on the amendment of the Treaty establishing the European Economic Community and the text on Political Cooperation, possibly in the form of a single act.

The President of the European Council will communicate to the European Parliament the texts which have been drawn up and approved. The President of the European Council will also make an oral presentation of the results of the Conference and will take part in the debate to be organized by the European Parliament on that occasion.

CONCLUSIONS OF THE PRESIDENCY

Economic and Social Situation

I. The European Council examined the economic and social situation in the Community on the basis of an initial statement of the strengths and weaknesses of the European economies which the President of the Commission had submitted at its request.

It stresses the importance of the progress already made by the European economies over the last 10 years with a significant reduction in energy dependence and modernization of traditional industries, while maintaining a high degree of openness to international competition.

For the future, the Council reaffirms that the achievement of the large internal market by 1992 and increased technological cooperation in Europe will make it possible to lay the foundations for the European economies' international competitiveness and to meet the challenges of the third industrial revolution.

II. The Council welcomed the very significant progress made by most of the Member States towards rationalization and economic recovery. It notes that this progress and the increased convergence of economic policies has already made it possible to stabilize the level of unemployment in the Community and even to reduce it in some countries.

The Council considers that, on this basis, the European economies are able to achieve better performance as regards growth and employment.

It took note of the strategy of cooperation for growth and employment outlined by the Commission in its annual economic report; it calls upon the Economic and Financial Council to examine, on that basis, the conditions for establishing noninflationary growth leading to a substantial drop in unemployment.

The European Council stressed the role which the Community must play in the recovery of world trade, more especially with a view to the forthcoming General Agreement on Tariffs and Trade multilateral negotiations. It also again referred to the Community's responsibility towards countries of the Third World, which will through growth and economic development become active partners in world trade.

.../...

III. Furthermore, the Council wished to emphasize that apart from general economic policies, progress was necessary to improve the environment for undertakings. Referring to its conclusions in Brussels in March 1985, the Council wanted a practical sign to be given of its desire to reduce the administrative and legal constraints which hold back the creation and development of small and medium-sized undertakings. In this connection, it noted with interest that the Commission was undertaking to:

- assess the implications each new proposal would have for undertakings and job creation;

- commence examining the most important of the existing Community regulations in order to establish how far simplifying them might be beneficial to small and medium-sized undertakings (S.M.U.'s) and encourage the creation of an environment more favorable to job creation;

- make arrangements for internal coordination of the preparation of initiatives designed to simplify the administrative, fiscal and legal environment for S.M.U.'s, with the wider aim of including the development of S.M.U.'s and employment among the priorities for work in the legal field.

The European Council attaches particular importance to those measures having practical effect as soon as possible.

In the same spirit, the Council held an exchange of views on the numerous steps taken in each of the Member States to improve the functioning of the labor market. It agreed on the importance of measures to promote training, motivation, mobility and flexibility of the labor market. For this reason, it attaches major importance to the joint statement of intent by management and labor on a European scale regarding social dialogue and new technology.* It emphasized the usefulness of such contacts and would like these to continue with the assistance of the Commission, in the search for solutions to practical problems.

Finally, the Council asked the Commission to complete the work it had begun further to its requests in March and June 1985 and to report back to it in 1986.

* Joint statement by the Union of Industries of the European Community, the Economic and Social Committee and the European Center of Public Enterprises, Val Duchesse, November 12, 1985.

Monetary Cooperation

The European Council requested the Commission to let it have a progress report, before the end of 1987, on the European Monetary System and the liberalization of capital markets.

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Fight Against Cancer

On the initiative of France, the European Council in Milan stressed the importance of launching a European program against cancer.

The European Council took note of a communication from the Italian and French Governments on this. It requested the Ministers for Foreign Affairs to examine at their next meeting the best way of quickly and effectively following up that initiative.

ANNEX I

**PROVISIONAL TEXTS RESULTING FROM THE EUROPEAN COUNCIL
IN LUXEMBOURG, DECEMBER 2 AND 3, 1985**

INTERNAL MARKET

Article 1

The Community shall adopt measures intended progressively to establish the internal market in the course of a period expiring on December 31, 1992, in accordance with the following provisions, without prejudice to the other provisions of the Treaty.

The internal market shall comprise an area without frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of the Treaty.

Article 2

1. In Articles 28, 57(2), second sentence, 59, second paragraph, 70(1) and 84 the terms "unanimously" or "unanimity" shall be replaced by "by a qualified majority" or "a qualified majority" respectively.

2. The provisions of Article 99 shall be replaced by the following:

The Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, adopt provisions on the harmonization of legislation concerning turnover taxes, excise duties, and other forms of indirect taxation to the extent that such harmonization is necessary to ensure the establishment and the operation of the internal market within the time-limits laid down in Article 1.

3. Article 100a shall be inserted after Article 100:

Article 100a

By way of derogation from Article 100 and save where otherwise provided in this Treaty, the following provisions shall apply for the attainment of the objectives of Article 1: the Council shall, acting by a qualified majority on a proposal from the Commission after consulting the European Parliament and the Economic and Social Committee, adopt the measures for the

.../...

approximation of such provisions laid down by law, regulation or administrative action in Member States as have as their object the establishment and operation of the internal market.

The first paragraph shall not apply to fiscal provisions, to those relating to the free movement of persons nor to those relating to the rights and interests of employed persons.

The Commission's proposals for the approximation of laws on health, safety, environmental protection and consumer protection will be based on a high level of protection.

If, after adoption of a harmonization measure or a decision pursuant to Article 6 by the Council acting by a qualified majority, a Member State deems it necessary to implement national provisions on grounds of major needs as referred to in Article 36, or relating to protection of the working environment and the natural environment, it shall notify the Commission thereof.

The Commission shall confirm the provisions involved after having verified that they are not a means of arbitrary discrimination or disguised restriction in trade between Member States.

By way of derogation from the procedures in Articles 169 and 170, the Commission or any Member State may bring the matter directly before the Court of Justice if it considers that another Member State is abusing the powers provided for in this Article.

The harmonization measures referred to above shall, in appropriate cases, include a safeguard clause authorizing the Member States to take, for one or more of the noneconomic reasons referred to in Article 36 of the Treaty, provisional measures subject to a Community control procedure.

Article 3

When drawing up its proposals with a view to achieving the objectives of Article 1, the Commission shall take into account the extent of the effort that certain economies showing differences in development will have to sustain during the period of establishment of the internal market and it may propose appropriate provisions.

If these provisions take the form of derogations, they must be of a temporary nature and must cause the least disturbance possible to the functioning of the common market.

Article 4

[Delegation of competence to the Commission to be regulated on the basis of the decision on the powers of execution of the Commission. The Commission has proposed an Advisory Committee.]

.../...

Article 5

The Commission shall deliver a report to the Council before December 31, 1988, and December 31, 1990, on the state of progress of work with a view to achieving the internal market within the time limit fixed in Article 1.

The Council, acting by a qualified majority on a proposal from the Commission, shall determine the guidelines and conditions necessary to ensure balanced progress in all the sectors concerned.

Article 6

During 1992, the Commission shall, together with each Member State, draw up an enumeration of national laws, regulations and administrative provisions which fall under Article 100a and which have not been harmonized pursuant to that Article.

The Council, acting in accordance with the provisions of Article 100a may decide that the provisions in force in a Member State must be recognized as being equivalent to those applied by another Member State.

The Commission shall draw up the enumeration referred to in the first paragraph and shall submit appropriate proposals in good time so as to allow the Council to act before the end of 1992.

Article 7*

The preceding provisions shall not derogate from the stipulations of the Treaty of Accession of Spain and Portugal.

* This provision should apply generally to all amendments made to the E.E.C. Treaty.

Internal Market: Statements for Inclusion in the Record of the Conference

Re Article 1

The Conference wishes by means of the provisions in Article 1 to firmly express its political will to take the decisions necessary before January 1, 1993, to complete the internal market defined in the provisions in question. This particularly concerns decisions necessary to implement the Commission program described in the White Paper on the Internal Market.

By setting the date of December 31, 1992, the Member States have not created a legal obligation having direct effect in the area of any national provisions that have not been the subject of harmonization measures or mutually recognized decisions.

Re Article 2(1)

- Concerning the reference to Article 57(2), second sentence:

.../...

The Conference signified its agreement to retention of the unanimity rule for measures affecting a professional organization and for measures constituting a step back with regard to liberalization of capital movements.

- Unilateral statement by Greece:

Greece considers that the development of Community policies and actions, and the adoption of measures on the basis of Articles 70(1) and 84, must both take place in such a way as not to harm sensitive sectors of Member States' economies.

Re Article 2(3)

In its proposals pursuant to the first paragraph of Article 100a the Commission shall favor the use of the instrument of a Directive if harmonization involves the amendment of legislative provisions in one or more Member States.

Re general statement

Nothing in these provisions shall affect the right of Member States to take such measures as they consider necessary for the purposes of controlling immigration from third countries, and to combat terrorism, crime and the traffic in drugs.

Political Declaration by the Governments of the Member States:

In order to promote the free movement of persons, the Member States shall cooperate, without prejudice to the powers of the Community, in particular as regards the entry, movement and residence of nationals of third countries. They shall also cooperate in the combating of terrorism, crime and the traffic in drugs.

MONETARY CAPACITY

1. The reference to Economic and Monetary Union would appear in the Preamble to the text amending the Treaty of Rome, which would read as follows:

- Whereas the Heads of State or Government, at their Conference in Paris from 19 to 21 October 1972, approved the objective of the progressive achievement of Economic and Monetary Union;

- Considering the Annex to the conclusions of the Presidency of the European Council meeting in Bremen on 6 and 7 July 1978 and the Resolution of the European Council meeting in Brussels on 5 December 1978, concerning the setting-up of the European Monetary System (E.M.S.) and related questions;

- Whereas, on the basis of that Resolution, the Community and the Central Banks of the Member States have taken a number of measures designed to implement monetary cooperation;

.../...

2. In Title II, "Economic Policy," the following should be added before the chapter on conjunctural policy:

Chapter 1 "Cooperation in economic and monetary policy" (Economic and Monetary Union)

New Article to be added before Article 103

(1) In order to ensure the convergency of economic and monetary policy which is necessary for the further development of the Community, Member States shall cooperate in accordance with the objectives of Article 104. In doing so, they shall take account of the experience acquired in cooperation in the framework of the European Monetary System and in developing the ECU, and shall respect existing powers in this field.

(2) Insofar as further development in the field of economic and monetary policy necessitates institutional changes, the procedure laid down in Article 236 shall be applicable. The Commission, the Monetary Committee and the Committee of Governors of the Central Banks shall be consulted regarding institutional changes in the area of monetary policy.

COHESION

Article 1

In order to promote its harmonious development overall the Community shall develop and pursue its actions leading to strengthening its economic and social cohesion.

In particular the Community shall aim at reducing disparities between the various regions and the backwardness of the least-favored regions.

Article 2

Member States shall conduct their economic policy and shall coordinate it, both with a view to attaining the objectives of Article 1. The implementation of the common policies and of the internal market shall take into account the objectives of Article 1 and shall contribute to their achievement. The Community shall support the achievement of these objectives by the action it takes through the structural Funds--European Agricultural Guidance and Guarantee Fund (E.A.G.G.F.), Guidance Section; Social Fund, European Regional Development Fund (E.R.D.F.), the European Investment Bank (E.I.B.) and other existing financial instruments.

Article 3

The E.R.D.F. is intended to help redress the principal regional imbalances in the Community through participating in the development and structural adjustment of regions whose development is lagging and in the reconversion of declining industrial regions.

.../...

Article 4

Once the Treaty enters into force the Commission shall submit comprehensive proposals to the Council; the purpose of these proposals will be that the structure and operational rules of the existing structural funds which are adequately financed so far as budgetary resources permit (E.A.G.G.F. Guidance Section, European Social Fund, E.R.D.F.) are to be amended as necessary to clarify and rationalize the funds' tasks in order to contribute to the achievement of the objectives of Article 1 and Article 3 and to increase their efficiency and coordinate their activities between themselves and with the activities of the existing financial instruments. The Council shall act unanimously on this proposal within a period of one year, having beforehand consulted the European Parliament and the Economic and Social Committee.

Article 5

After adoption of the decision referred to in Article 4, the decisions relating to the E.R.D.F. shall be taken by the Council acting by a qualified majority on a proposal from the Commission, after consulting the European Parliament.

With regard to E.A.G.G.F. (Guidance Section) and the Social Fund, the provisions of Articles 43, 126 and 127 shall remain applicable respectively.

EUROPEAN PARLIAMENT

The European Council reached agreement in principle on the basis of the attached text on the institution of a procedure for cooperation with the Parliament; at the same time the Council is given a brief to

- clarify the procedure in the event of the European Parliament rejecting the common position of the Council at its second reading;
- spell out the procedure to be followed in the event of the Council not acting by the three month deadline laid down in point (f) in order to avoid any legal vacuum, it being agreed that the Council will have the last say.

Article 1

A Cooperation procedure shall be introduced which shall apply to acts based on Articles 7, 49, 54(2), 56, 57 and 100a of the Treaty establishing the European Economic Community. The Cooperation procedure shall also apply to acts based on Article 11(2) of the text on research and technological development and on Article 5 of the text on cohesion and also on acts to be taken by a qualified majority pursuant to Article 118.

Article 2

The provisions of Article 149 of the Treaty establishing the European Economic Community shall be replaced by the following:

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1. Where, in pursuance of this Treaty, the Council acts on a proposal from the Commission, unanimity shall be required for an act constituting an amendment to that proposal.

2. Where, in pursuance of this Treaty, a Council act is adopted in cooperation with the European Parliament, the following procedure shall apply:

(a) The Council, acting by a qualified majority under the conditions of paragraph 1 above, on a proposal from the Commission and after obtaining the Opinion of the European Parliament, shall adopt a common position.

(b) The common position of the Council shall be transmitted to the European Parliament. The Council and the Commission shall inform the Parliament fully of the reasons which led the Council to adopt its common position and also of the Commission's position.

If, within three months of such communication, the European Parliament approves this common position or has not taken a decision within that period, the Council shall definitively adopt the act in question in accordance with the common position.

(c) Within the period of three months referred to in paragraph 2(b), the European Parliament may, by an absolute majority of its constituent members, propose amendments to the common position of the Council. The European Parliament may also reject the common position of the Council by the same majority. The result of the proceedings shall be transmitted to the Council and the Commission.

If the Parliament has rejected the common position of the Council, unanimity shall be required for the Council to act on a second reading.

(d) The Commission shall, within the period of one month, reexamine the proposal, on the basis of which the Council adopted its common position, by taking into account the amendments proposed by the European Parliament.

(e) The Council, acting by a qualified majority, shall adopt the proposal reexamined by the Commission.

Unanimity shall be required for the Council to amend the reexamined Commission proposal.

(f) The Council shall be required to act within a period of three months.

3. As long as the Council has not acted, the Commission may alter its original proposal at any time during the procedure.

.../...

Article 3

The provisions of the first paragraph of Article 237 shall be replaced by the following:

Any European State may apply to become a member of the Community. It shall address its application to the Council which, after consulting the Commission, shall act unanimously after receiving the assent of the European Parliament which shall act by a majority of its members.

Article 4

The provisions of the second paragraph of Article 238 shall be replaced by the following:

These agreements shall be concluded by the Council, acting unanimously and after receiving the assent of the European Parliament which shall act by a majority of its members.

MANAGEMENT AND IMPLEMENTING POWERS OF THE COMMISSION

Article 145

To ensure that the objectives set out in this Treaty are attained, the Council shall, in accordance with the provisions of this Treaty:

- ensure coordination of the general economic policies of the Member States;
- have power to take decisions;
- confer on the Commission, in the acts it adopts, powers for the implementation of the rules it lays down. The Council may impose certain requirements in respect of the exercise of those powers. The Council may also reserve the right in specific cases to exercise implementing powers itself directly.

The requirements referred to above must be consonant with principles and rules to be laid down in advance by the Council, acting unanimously on a proposal from the Commission and after obtaining the Opinion of the European Parliament.

RESEARCH AND TECHNOLOGICAL DEVELOPMENT

Article 1

1. The Community's aim shall be to strengthen the scientific and technological basis of European industry and to encourage it to become more competitive at international level.
2. In order to achieve this, it shall encourage undertakings including small and medium-sized undertakings, research centers and universities in

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their research and technological development activities; it shall support their efforts to cooperate with one another, aiming, in particular, to enable undertakings to exploit the Community's internal market potential to the full, inter alia through the opening up of national public contracts, the definition of common standards and the removal of legal and fiscal barriers to that cooperation.

3. In the achievement of these aims, the connection shall be especially borne in mind, between the joint research and technological development effort, the establishment of the internal market and the implementation of joint policies particularly in competition and trade.

Article 2

In pursuing these objectives, the Community shall carry out the following activities complementing the activities carried out in the Member States:

- (a) implementation of research, demonstration and technological development (R.D.T.D.) programs, by promoting cooperation with undertakings, research centers and universities;
- (b) promotion of cooperation with third countries and international organizations in the field of Community R.D.T.D.;
- (c) dissemination and optimization of use of the results of Community R.D.T.D. activities;
- (d) stimulation of the training and mobility of researchers in the Community.

Article 3

In liaison with the Commission, the Member States shall coordinate between themselves the policies and programs carried out at a national level. In close contact with the Member States, the Commission may take any useful initiative to promote such coordination.

Article 4

1. The Community shall adopt a multiannual framework program setting out all its activities. The framework program shall lay down the scientific and technical objectives, define their respective priorities, set the main lines of the envisaged activities and fix the amount deemed necessary, the detailed rules for financial participation by the Community in the overall program and the breakdown of this amount between the various activities envisaged.

2. The framework program may be adapted or supplemented on the basis of the development of the situation.

.../...

Article 5

The framework program shall be implemented through specific programs developed within each activity. Each specific program shall define the detailed rules for implementing the activity, fix its duration and provide for the means deemed necessary.

The Council shall define the detailed arrangements for the dissemination of knowledge resulting from the specific programs.

Article 6

In implementing the multiannual framework program, supplementary programs may be decided involving the participation of only certain Member States, which shall ensure the financing thereof subject to possible Community participation.

The Council shall adopt the rules applicable to supplementary programs particularly as regards the dissemination of knowledge and the access of other Member States.

Article 7

In implementing the multiannual framework program, the Community may make provision, with the agreement of the Member States concerned, for participation in research and development programs undertaken by several Member States, including participation in structures created for the execution of those programs.

Article 8

In implementing the multiannual framework program, the Community may make provision for R.D.T.D. cooperation with third countries or international organizations.

The detailed arrangements for such cooperation may be the subject of international agreements between the community and the third parties concerned which shall be negotiated and concluded in accordance with Article 228.

Article 9

The Community may set up joint undertakings on any other structure necessary for the efficient execution of Community R.D.T.D. programs.

Article 10

1. The detailed arrangements for financing each program, including any Community contribution, shall be established at the time of the adoption of the program.

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2. The amount of the annual Community contribution shall be laid down under the budget procedure, without prejudice to other possible methods of Community financing. The estimated cost of the specific programs must not in aggregate exceed the financial provision in the framework program.

Article 11

1. The Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, adopt the provisions referred to in Articles 4 and 9.

2. The Council shall, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament, adopt the provisions referred to in Articles 5, 6, 7 and 10. The adoption of the supplementary programs shall also require the agreement of the Member States concerned.*

* Following the adoption of this provision it will be necessary to make technical adjustments to the last paragraph of Article 4 of the Decision on own resources.

ENVIRONMENT

Article 1

1. Action by the Community relating to the environment shall have the following objectives:

- to preserve, protect and improve the quality of the environment;
- to contribute towards protecting human health;
- to ensure the prudent and rational use of natural resources.

2. Action by the Community relating to the environment shall be based on the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source, and that the polluter should pay. Environmental protection requirements shall be a component of the Community's other policies.

3. In preparing its action relating to the environment, the Community shall take account of:

- available scientific and technical data;
- environmental conditions in the various regions of the Community;
- the potential benefits and costs of action or of lack of action;
- the economic and social development of the Community as a whole and the balanced development of its regions.

.../...

4. The Community shall take action relating to the environment to the extent to which the objectives referred to in paragraph 1 can better be attained at Community level than at the level of the individual Member States.

5. The previous paragraph shall be without prejudice to Member States' competence to negotiate in international agencies and to conclude international agreements.

Article 2

The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall decide what action is to be taken by the Community.

The Council shall, under the conditions laid down in the preceding subparagraph, define which fields are to be covered by decisions taken by a qualified majority.

Article 3

The protective measures adopted in common pursuant to Article 2 shall not prevent each Member State from maintaining and introducing more stringent protective measures compatible with the Treaty, and with the operation of the internal market in particular.*

* This provision should be seen in relation to Article 100a in the text on the internal market.

SOCIAL POLICY

Draft texts supplementing Article 118.

(a) Working environment.

1. The Member States shall pay particular attention to encouraging improvements, especially in the working environment, as regards the health and safety of workers, and shall set as their objective the harmonization of conditions in this area, while maintaining the improvements.
2. In order to help achieve the objective laid down in the first paragraph, the Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt, by means of Directives, minimum requirements for gradual implementation, having regard to the conditions and technical rules obtaining in each of the Member States.
3. The provisions adopted pursuant to this Article shall not prevent each Member State from introducing more stringent measures for the protection of working conditions compatible with the Treaty.

(b) Dialogue between both sides of industry.

.../...

The Commission shall endeavor to develop the dialogue between management and labor at European level which could, if those two sides consider it desirable, lead to contractual relations.

ANNEX II

**DRAFT TREATY ON EUROPEAN COOPERATION
IN THE SPHERE OF FOREIGN POLICY**

Article 1

The High Contracting Parties, being members of the European Communities, shall endeavor jointly to formulate and implement a European foreign policy.

Article 2

1. The High Contracting Parties undertake to inform and consult each other on any foreign policy matters of general interest so as to ensure that their combined influence is exercised as effectively as possible through coordination, the alignment of their positions and the implementation of joint measures.

2. Consultations shall take place before the High Contracting Parties decide on their final position.

3. In adopting its positions and in its national measures each High Contracting Party shall take full account of the positions of the other partners and shall give due consideration to the desirability of adopting and implementing common European positions.

In order to increase their capacity for joint action in the foreign policy field, the High Contracting Parties shall ensure that common principles and objectives are gradually developed and defined.

The formulation of common positions shall constitute a point of reference for the policies of the High Contracting Parties.

4. The High Contracting Parties shall endeavor to avoid any action or position which impairs their effectiveness as a cohesive force in international relations or within international organizations.

Article 3

1. The Ministers for Foreign Affairs and a member of the Commission shall meet at least four times a year within the framework of European Political Cooperation. They may also discuss foreign policy matters within the framework of Political Cooperation on the occasion of meetings of the Council of the European Communities.

.../...

2. The Commission shall be fully involved in the proceedings of Political Cooperation.

3. In order to ensure the swift adoption of common positions and the implementation of joint measures, the High Contracting Parties shall, as far as possible, refrain from impeding the formation of a consensus and the joint action which this could produce.

Article 4

The external policies of the European Community and the policies agreed in European Political Cooperation must be consistent.

The Presidency and the Commission, each within its own sphere of competence, shall have special responsibility for ensuring that such consistency is sought and maintained.

Article 5

1. In international institutions and at international conferences which they attend, the High Contracting Parties shall endeavor to adopt common positions on the subjects covered by this Treaty.

2. In international institutions and at international conferences in which not all the High Contracting Parties participate, those who do participate shall take full account of positions agreed in European Political Cooperation.

Article 6

The High Contracting Parties shall organize a political dialogue with third countries and regional groupings whenever they deem it necessary.

Article 7

The High Contracting Parties and the Commission, through mutual assistance and information, shall intensify cooperation between their representations accredited to third countries and to international organizations.

Article 8

1. The High Contracting Parties consider that closer cooperation on questions of European security would contribute in an essential way to the development of a European external policy identity. They are ready to coordinate their positions more closely on the political and economic aspects of security.

2. The High Contracting Parties are determined to maintain the technological and industrial conditions necessary for their security. They shall work to that end both at national level and, where appropriate, in the framework of the relevant institutions and bodies.

.../...

3. Nothing in this Treaty shall stand in the way of closer cooperation in the field of security between certain of the High Contracting Parties in the framework of the Western European Union or the Atlantic Alliance.

Article 9

The High Contracting Parties shall ensure that the European Parliament is closely associated with Political Cooperation. To that end the Presidency shall regularly inform the European Parliament of the foreign policy issues which are being examined in the framework of Political Cooperation and shall ensure that the views of the European Parliament are duly taken into consideration.

Article 10

1. The Presidency of Political Cooperation shall be held by the High Contracting Party which holds the Presidency of the Council of the European Communities.

2. The Presidency shall be responsible for initiating action and for coordinating and representing the positions of the Member States in relations with third countries in respect of Political Cooperation activities. It shall also be responsible for the management of Political Cooperation and in particular for drawing up the timetable of meetings and for convening and organizing meetings.

3. The Political Directors shall meet regularly in the political Committee in order to give the necessary impetus, maintain the continuity of Political Cooperation and prepare Ministers' discussions.

4. The Political Committee or, if necessary, a ministerial meeting shall convene within 48 hours at the request of at least three Member States.

5. The European Correspondents' Group shall be responsible, under the direction of the Political Committee, for monitoring the implementation of Political Cooperation and for studying general organizational problems.

6. Working Parties shall meet as directed by the political Committee.

7. A Secretariat based in Brussels shall assist the Presidency in preparing for and implementing the activities of European Political Cooperation and in administrative matters. It shall carry out its duties under the authority of the Presidency.

Final Article

1. This Treaty shall be open for signature by the Member States of the European Community. In accordance with the provisions peculiar to each State, it shall enter into force following the deposit of instruments of ratification or approval by all the High Contracting Parties.

../..

2. Nothing in this Treaty shall affect the provisions of the Treaty establishing the European Coal and Steel Community, the Treaty establishing the E.E.C. or the Treaty establishing the European Atomic Energy Community.

3. Five years after the entry into force of this Treaty the High Contracting Parties shall examine whether any revision thereof is required.

ANNEX III

E.E.C. TREATY ARTICLES SUBJECT TO MODIFICATION

Article 28

Any autonomous alteration or suspension of duties in the common customs tariff shall be decided unanimously by the Council. After the transitional period has ended, however, the Council may, acting by a qualified majority on a proposal from the Commission, decide on alterations or suspensions which shall not exceed 20 % of the rate in the case of any one duty for a maximum period of six months. Such alterations or suspensions may only be extended, under the same conditions, for one further period of six months.

Article 36

The provisions of Articles 30 to 34 shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

Article 57

1. In order to make it easier for persons to take up and pursue activities as self-employed persons, the Council shall, on a proposal from the Commission and after consulting the Assembly, acting unanimously during the first stage and by a qualified majority thereafter, issue directives for the mutual recognition of diplomas, certificates and other evidence of formal qualifications.

.../...

2. For the same purpose, the Council shall, before the end of the transitional period, acting on a proposal from the Commission and after consulting the Assembly, issue directives for the coordination of the provisions laid down by law, regulation or administrative action in Member States concerning the taking up and pursuit of activities as self-employed persons. Unanimity shall be required on matters which are the subject of legislation in at least one Member State and measures concerned with the protection of savings, in particular the granting of credit and the exercise of the banking profession, and with the conditions governing the exercise of the medical and allied, and pharmaceutical professions in the various Member States. In other cases, the Council shall act unanimously during the first stage and by a qualified majority thereafter.

3. In the case of the medical and allied and pharmaceutical professions, the progressive abolition of restrictions shall be dependent upon coordination of the conditions for their exercise in the various Member States.

Article 59

Within the framework of the provisions set out below, restrictions on freedom to provide services within the Community shall be progressively abolished during the transitional period in respect of nationals of Member States who are established in a State of the Community other than that of the person for whom the services are intended.

The Council may, acting unanimously on a proposal from the Commission, extend the provisions of this Chapter to nationals of a third country who provide services and who are established within the Community.

Article 70

1. The Commission shall propose to the Council measures for the progressive coordination of the exchange policies of Member States in respect of the movement of capital between those States and third countries. For this purpose the Council shall issue directives, acting unanimously. It shall endeavour to attain the highest possible degree of liberalisation.

2. Where the measures taken in accordance with paragraph 1 do not permit the elimination of differences between the exchange rules of Member States and where such differences could lead persons resident in one of the Member States to use the freer transfer facilities within the Community which are provided for in Article 67 in order to evade the rules of one of the Member States concerning the movement of capital to or from third countries, that State may, after consulting the other Member States and the Commission, take appropriate measures to overcome these difficulties.

Should the Council find that these measures are restricting the free movement of capital within the Community to a greater extent than is required for the purpose of overcoming the difficulties, it may, acting by a qualified majority on a proposal from the Commission, decide that the State concerned shall amend or abolish these measures.

Article 84

1. The provisions of this Title shall apply to transport by rail, road and inland waterway.
2. The Council may, acting unanimously, decide whether, to what extent and by what procedure appropriate provisions may be laid down for sea and air transport.

Article 99

The Commission shall consider how the legislation of the various Member States concerning turnover taxes, excise duties and other forms of indirect taxation, including countervailing measures applicable to trade between Member States, can be harmonised in the interest of the common market.

The Commission shall submit proposals to the Council, which shall act unanimously without prejudice to the provisions of Articles 100 and 101.

Article 100

The Council shall, acting unanimously on a proposal from the Commission, issue directives for the approximation of such provisions laid down by law, regulation or administrative action in Member States as directly affect the establishment or functioning of the common market.

The Assembly and the Economic and Social Committee shall be consulted in the case of directives whose implementation would, in one or more Member States, involve the amendment of legislation.

Article 118

Without prejudice to the other provisions of this Treaty and in conformity with its general objectives, the Commission shall have the task of promoting close cooperation between Member States in the social field, particularly in matters relating to:

- employment;
- labour law and working conditions;
- basic and advanced vocational training;
- social security;
- prevention of occupational accidents and diseases;
- occupational hygiene;
- the right of association, and collective bargaining between employers and workers.

To this end, the Commission shall act in close contact with Member States by making studies, delivering opinions and arranging consultations both on problems arising at national level and on those of concern to international organisations.

Before delivering the opinions provided for in this Article, the Commission shall consult the Economic and Social Committee.

Article 145

To ensure that the objectives set out in this Treaty are attained, the Council shall, in accordance with the provisions of this Treaty:

- ensure coordination of the general economic policies of the Member States;
- have power to take decisions.

Article 149

Where, in pursuance of this Treaty, the Council acts on a proposal from the Commission, unanimity shall be required for an act constituting an amendment to that proposal.

As long as the Council has not acted, the Commission may alter its original proposal, in particular where the Assembly has been consulted on that proposal.

Article 169

If the Commission considers that a Member State has failed to fulfil an obligation under this Treaty, it shall deliver a reasoned opinion on the matter after giving the State concerned the opportunity to submit its observations.

If the State concerned does not comply with the opinion within the period laid down by the Commission, the latter may bring the matter before the Court of Justice.

Article 170

A Member State which considers that another Member State has failed to fulfil an obligation under this Treaty may bring the matter before the Court of Justice.

Before a Member State brings an action against another Member State for an alleged infringement of an obligation under this Treaty, it shall bring the matter before the Commission.

The Commission shall deliver a reasoned opinion after each of the States concerned has been given the opportunity to submit its own case and its observations on the other party's case both orally and in writing.

If the Commission has not delivered an opinion within three months of the date on which the matter was brought before it, the absence of such opinion shall not prevent the matter from being brought before the Court of Justice.

Article 237

Any European State may apply to become a member of the Community. It shall address its application to the Council, which shall act unanimously after obtaining the opinion of the Commission.

The conditions of admission and the adjustments to this Treaty necessitated thereby shall be the subject of an agreement between the Member States and the applicant State. This agreement shall be submitted for ratification by all the Contracting States in accordance with their respective constitutional requirements.

Article 238

The Community may conclude with a third State, a union of States or an international organisation agreements establishing an association involving reciprocal rights and obligations, common action and special procedures.

These agreements shall be concluded by the Council, acting unanimously after consulting the Assembly.

Where such agreements call for amendments to this Treaty, these amendments shall first be adopted in accordance with the procedure laid down in Article 236.