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for 1988**

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President of the Commission,  
to the European Parliament**

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*In the boxed displays at the end of each section the proposals which are likely to be subject to the cooperation procedure are marked with an asterisk.*

**Introduction of the Commission's programme  
for 1988**

**Mr Jacques Delors,**  
**President of the Commission**

*Lord Plumb, Mr Genscher,*

Almost three years ago, on 14 January 1985, the Commission made a statement to Parliament outlining its plans for its term of office.

This House then gave us a vote of confidence, marking the beginning of a period in which our two institutions have learned to work more and more closely together.

Annual presentation of the Commission's programme — which you will also be examining in committee — is the high point of our working partnership. It is particularly significant this year for three reasons:

- because 1988 is our last year in office;
- because 1989 will see the end of your term and you — like us — are concerned about the debate in your constituencies in the lead-up to the European elections;
- because we are only three weeks away from a European Council which, as the President of the Council has just said, must finally take a decision on a package of proposals which are the only means of giving practical effect to the undertakings given in 1985 on the large market and others given in 1986 and 1987 on the Single Act. As you have already recognized, Brussels will be the moment of truth for the strategy proposed by the Commission in 1985 to revitalize the European venture.

How do things stand, three years on?

This is the first question, which the Commission must answer, to justify the choices it made in 1985.

How far has the Community advanced along the road to European Union, with the 1989 elections a year away?

This is the second question, which Parliament must answer, as you, ladies and gentlemen, move towards the end of your term. Before long the people of Europe will be passing judgment on your record in office and your plans for the future. Perhaps I should say *our* record and *our* plans, since the European elections involve the entire Community and affect all its institutions.

Finally, what are the prospects on the eve of the special Brussels Summit that Chancellor Kohl has convened for mid-February?

This is the third question, which the Governments of the Twelve must answer.

Parliament's position is clear. The Commission's too. In fact they are very close. But the answer to the third question is still awaited because reluctance and differences of opinion persist. But everyone recognizes that the moment of truth is at hand — between speeches and decisions, words and deeds — and that the consequences of failure will be extremely serious. It would mean that we could not put our minds to attaining the objectives of the Single Act. Our best efforts would be dissipated yet again in the barren search for compromise.

It is in the light of these three questions I propose to present the document which has been distributed to you.

I made a point of ensuring that you got the programme in good time, not merely because it is rather indigestible in parts — but because I was anxious that our debate should be grounded on facts so that we could organize the year's work, which has been given added point by implementation of the cooperation procedure.

If you were to ask me to sum up our programme, I would say that it centres on exploiting the large market as a force for integration, making a success of the Single Act and assuming the Community's responsibilities on the international front.

To begin with, the large market as a force for integration. Since 1988 will take us half-way to 1992, we will have to produce the report on progress towards the large market required by the Single Act. You will recall that the large market was the Commission's priority in 1985. In proposing it I hoped that it would provide an area of consensus which would give fresh impetus to the European venture. At the time I could see the economic necessity and the political arguments but I must confess that I failed to appreciate the impact it would have. Today there is no denying that completion of the large market has become a powerful force for integration.

In the first place the large market has made economic operators staunch supporters of a united Europe. These are the people who give the economy its dynamism. Their influence is enormous and they are giving us their support.

In the second place the large market offers governments a fresh set of options which they must gradually accept. It is making harmonization of legislation and attitudes a necessity. It calls for increased cooperation between governments and more convergence of economic, social, financial and fiscal policies. It presupposes mutual trust — a factor which was sorely missed in Copenhagen.

Finally, the large market presents an in-built danger of imbalances which the Community must take into account if it is to remain faithful to its political vocation.

In making completion of the large market its priority, the Commission has, I believe, lived up to its ambition of being the 'engineer of European integration', to quote the phrase I used when I spoke to you three years ago.

The large market is a new energy source which, like the traditional sources, is driving Europe towards unity. The large market is a powerhouse of integration which makes progress possible despite the fact that the Governments of the Twelve have yet to reach agreement on the decisions required to implement the Single Act.

Progress made to date has lent credibility to the large market but it is not yet irreversible. A large number of texts have been adopted despite delays in implementing the Single Act. But, as the President of the Council pointed out just now, the time has now come to take decisions which will make the large market irreversible and ensure that it does indeed become an important step on the road to European integration. The Commission, as indicated in its programme, will be asking the Council to take decisions on company taxation, the opening up of public procurement in excluded areas, bank solvency ratios, and a series of proposals on safety at work, based on Article 118A of the Treaty as amended by the Single Act.

We have told the Council Presidency that we expect it to move on to the second stage in the liberalization of capital movements and to adopt the package on double taxation of companies, which has been around since 1984, the directive on public supply contracts, the direct insurance directive and measures to liberalize road transport.

Now that Parliament has completed its work, we expect the Council to agree a common position on three key dossiers: the equivalence of diplomas, public works contracts and Europe-wide television.

We are also hoping for progress — not yet forthcoming — on the approximation of indirect taxation and our recent proposal on a single area for banking services.

Thanks to the cooperation procedure Parliament now has a real say in the legislative process. After a shaky start, this process is putting pressure on the Council to speed up examination of proposals, which in turn affects the Commission discussions. This is why you are keen to have a legislative programme to help you to organize Parliamentary business. Yet another reason — I would have thought — for this House to concentrate on the essentials and give its opinion on burning issues as quickly as possible.

We do need priorities. As soon as the large market is perceived as irreversible, the force for integration will be felt to the full, leaving its mark on the development of Community policies.

Making the large market irreversible is bound to have a knock-on effect. This is certainly true, and will become increasingly so, of the social field. Creation of a social dimension is one of the five priorities of the Single Act and the key to the success of the large market.

Vital texts will remain in limbo indefinitely if we refuse to contemplate the associated social provisions. Social cohesion is not simply a matter of regional development and manpower training. It is a mission enshrined in the Treaties involving harmonization geared to further improvement — rather than dispersion — in working conditions, employment, training and arrangements for giving workers a say.

Harmonization can be achieved in a number of ways and in 1988 we must make a choice: we can go for legislation or we can make use of the social dialogue. Some people regard the two as mutually exclusive and you will no doubt remember the ideological battles fought over the years on certain Commission proposals. But the Commission believes that legislation and use of the social dialogue should be combined. A choice must certainly be made in 1988. Should framework directives or collective agreements be used to lay down minimum social standards as a basis for a workers' charter? This has been mooted and it is an interesting idea. One thing is certain: the Commission's proposals on the large market will be matched by careful consideration of the social consequences. The Commission will implement its programme for the improvement of working conditions to protect workers' health, in line with the objectives laid

down in Article 118A of the Treaty, and will continue to encourage the social dialogue, however difficult that may be. It will present a fresh proposal on the European company to give firms access to an instrument which will promote business cooperation. At the same time it will suggest a number of models for worker participation between which Member States can pick and choose.

The force for integration of which I spoke earlier should also be felt in the technological field. The pressure of the large market is leading to harmonization and cooperation within the framework of Community programmes and the Eureka project.

Indeed the same applies to every facet of the European identity, which the Commission intends to place under the spotlight again this year.

Ladies and gentlemen. We need look no further than the audiovisual industry to appreciate the importance to Europe of promoting the free exchange of ideas and productions while defending our creative artists and intellectuals. The success of the Comett and Erasmus programmes shows that — despite the meagre resources the Community can make available — our universities and firms are capable of playing a full part in promoting harmonization and the interchange of standards, people and ideas. Stimulus must also be provided in the monetary field, where the large market is creating internal pressure which needs to be combined with the external pressure to which I will come in a moment.

Movement towards a financial area, with the second stage in the process of liberalizing capital movements, means that the monetary authorities are faced with a series of problems which bear a striking resemblance to those which are posed and must be resolved by the strengthening of the European Monetary System.

All the major measures relating to the large market are a force for integration and all presuppose enhanced cooperation. In my view there will be no progress on the financial area until the European Monetary System has been strengthened and extended to include all the countries that would like to enjoy the benefits of the financial area.

The Commission itself cannot achieve much but it can generate ideas. Its main weapon is its conviction. This is why I attach so much importance to the study on the cost of non-Europe

launched in 1987 under the direction of Mr Cecchini and the study on the social implications of the large market undertaken by Mr Marín. If you read these two studies and Mr Padoa-Schioppa's report, you will have all the information you need — even in the context of the 1989 election campaign — to demonstrate how the project on which we are both embarked can contribute to prosperity, independence and solidarity.

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For the Governments of the Twelve, the first real test of the large market as a force for integration was the Single Act. The second was the package of proposals which the Commission presented to this House eleven months ago under the heading 'Making a Success of the Single Act'. We wanted to demonstrate that completion of the large market called for revision — albeit more modest than we would have liked — of the Treaty of Rome and that implementation of the Single Act itself implied a thorough overhaul of the major Community policies.

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The year ahead will therefore be marked not only by a major push towards the large market but also by our determination to make a success of the Single Act.

Our main concern will be to ensure that institutional reforms are implemented in full and that the Brussels European Council takes the decisions that are needed on the interrelated objectives—familiar to you all—of economic cohesion, social solidarity and technological development.

On the institutional front, the first major decision taken by the Council was to amend its Rules of Procedure. And while the legal formula chosen—a 'vote on a vote'—is less than ideal, it does mean that voting has been revived after a long period of suspended animation. I would like to pay tribute at this point to the Danish Presidency—which was faced with the task of running in the Single Act—for systematically calling for a vote whenever the Commission so requested.

I must admit to being less happy about the second major decision taken by the Council under the Single Act, namely the decision on the Commission's implementing powers, a subject on which this House produced a clear and firm report.



It is true that the Council streamlined matters somewhat at our suggestion. The Commission will exercise its implementing powers either on its own or with the assistance of one of three types of committee (advisory, management or regulatory committee).

But the Council also saw fit to introduce the possibility of a safeguard clause and to devise two variants which provide no guarantee whatsoever that a decision will be taken.

These are formulas which the Commission cannot accept. And I have to say that we are very concerned to find that the Council has not hesitated to resort to institutional guerilla tactics and use a unanimous decision to impose variants which are incompatible with efficient administration and management and fly in the face of the Single Act.

Sooner or later the Commission, after further consultations with Parliament, will have to confront the Member States with this inconsistency. There is a contradiction between the commitments given in the Single Act and everyday practice by national bureaucracies. Unless the Council mends its ways, we will not be in a position to adopt and apply all the measures needed to complete and manage the large market.

A third development on the institutional front is the cooperation procedure. It is perhaps too early, after a mere six months, to pass judgment. But in these six months a number of major proposals—including those on RACE and motor vehicle emissions—have been adopted under the procedure. And, as I said earlier, the teething problems are over.

I would like to make two points in this connection.

The first is that the Commission, in close consultation with Parliament, has carried out a comprehensive review to amend the legal bases of pending proposals. Although there were disagreements, the only significant one involved the 'post-Chernobyl' regulation on maximum levels of radioactivity in foodstuffs. And last week, after a complex legal discussion, the Commission acceded to Parliament's request that the cooperation procedure be extended to specific research programmes relating to transport, fisheries and agriculture.

The second point is that the Council is not sticking to the ground rules when it comes to the cooperation procedure.

There has been great concern in a number of cases (in the area of public procurement in particular) at the Council's systematic rejection of all Parliament's amendments on first reading. Clearly the Commission deplores this attitude, which only provides ammunition for those who were opposed to granting Parliament increased powers on the grounds that it would merely add to the delays. The Commission itself has always been keen to see amendments incorporated on first reading to avoid a battle on second reading. This was the thinking behind the amendments to your own Rules of Procedure. But I am very much afraid that experience will demonstrate the wisdom of the amendment which Mr Tindemans and myself proposed to the Intergovernmental Conference to ensure that the cooperation procedure would not fail to produce a decision.

A fourth consequence of the Single Act is the programming of legislation, an issue that is, I know, very close to your hearts. I told you last year that the Commission was prepared to draw up a joint working timetable with Parliament to attain our priority objectives and make a success of the cooperation procedure. We do need to improve the existing instrument for the advance planning of legislation by resorting to pragmatic procedures. With this end in view, you will be sent a tentative timetable early in February indicating, quarter by quarter, the main proposals which the Commission intends to present. We are prepared to review this timetable with your enlarged Bureau and come up with a joint legislative programme in time for your March part-session. The Commission is also prepared to attend quarterly interinstitutional meetings to update the timetable. We will then have a work programme which can be amended to keep it realistic and practical.

I trust that in this way we will be able to demonstrate that as far as our two institutions are concerned the Single Act makes for better—that is to say, swifter—decision-making and increased effectiveness.

Which brings me to preparations for the Brussels European Council. What does the Commission want? The answer is simple: we want an agreement, we believe that an agreement is possible, but we are not interested in a bad agreement.

There is a danger that the Brussels European Council, weary of argument and rightly alarmed by public reaction in the wake of Copenhagen, may opt for a watered-down version of the Commission's proposals, leaving us with minimal cohesion and half-hearted discipline.

We want neither, for that would be tantamount to writing off the Single Act as a failure.

The Commission will not accept minimal cohesion. It will have nothing to do with a policy from which only two or three Member States would benefit. What the Commission wants is a Community approach which applies to all the regions and all the people of Europe.

Cohesion is not simply a matter of throwing money at problems. It implies rather a willingness to act at Community level to reduce the disparities between regions and between different social groups. Cohesion is a precondition for European unity because it is a precondition for completion of the large market. And when I speak of Community action, I do not mean centralized decision-making. I simply mean that we need Community policies to supplement action taken at national and regional level.

All too often people claim the Commission's proposals are confined to doubling the structural Funds. But what the Commission has proposed in fact is radical reform of all the structural policies. It is difficult not to see the attitude of the Member States—preoccupied as they are (legitimately but surely without justification) with what they will have to pay or how much they will receive as the complete negation of the spirit of the proposals which you support. It is difficult to suppress a shudder at the flood of proposals in which coefficients, averages and quotas combine in an unworkable, turbid system totally incomprehensible to the man in the street and contrary to the spirit of the Single Act.

I repeat, we will have nothing to do with minimal cohesion. I have said again and again that the Commission is opposed to the notion of a free trade area embellished with a budgetary transfer here and there. That is not the way to lay the foundations for European Union. The Commission's proposals are ambitious but simple. We must resist the temptations of complexity and turn our backs on half-measures. The Commission at least is resolved to stand firm.

The second danger is half-hearted discipline. Here I am thinking in particular of agriculture, for that of course is the main bone of contention.

What do I mean by half-hearted reform of the common agricultural policy?

I mean a reform in which the stabilizing mechanisms we have proposed would prove to be inadequate or to present the wrong mix and would

therefore do nothing to reduce the surpluses which are distorting Community and world markets.

The Commission has proposed the introduction of maximum guaranteed quantities and if these were exceeded—but only then—the combined application of lower prices, a higher co-responsibility levy and amendment of the rules on intervention. These proposals constitute a single package. Advance notice would be given so that farmers could take the necessary action. There is no question of springing unpleasant surprises on them. The aim is coherent action to influence the economic behaviour of producers and ensure that the reference framework for agricultural spending is adhered to.

Half-hearted reform, ladies and gentlemen, would be a reform in which the flanking measures proposed by the Commission to support the family farm would be forgotten or would remain on paper. I am referring here to direct income support and early retirement, which go hand in hand. I am told that some people are only prepared to talk about early retirement. We cannot accept this because it would upset the balance of the package and make it very difficult for us to sell changes to the common agricultural policy to those responsible for running family farms. We are talking here about the preservation of the countryside, one of the main aims of the flanking policies. We are talking about set-aside, for which the Commission recently made specific proposals. In a word, these measures constitute a whole and must be dealt with as such if imbalance is to be avoided.

Finally, half-hearted reform of the common agricultural policy would be a reform accepted by the Community but not by the other major world producers. It is precisely for this reason that the Commission proposed that this experiment in adapting the common agricultural policy should last for three years at most. If the United States, Japan, New Zealand and the others refuse to play their part in restoring balance to world markets, Europe will have to go it alone and look after its own interests. That too is part of the debate.

Which brings me—still on the subject of the Brussels European Council, and not wishing to take up too much of your time—to the institutional aspects of financial reform. Several questions remain unanswered here which I know to be of concern to this House. My view is that, after the initial suspicion encountered in some

quarters, the need for an interinstitutional agreement is being recognized.

The Commission presented its initial reflections to Parliament last July. On that basis, and thanks to the splendid work done by the Committee on Budgets on Mr Dankert's report, this House produced the innovative and constructive guidelines set out in its 18 November resolution. I told you in November, and again at the December part-session, that some of your concrete proposals merited thorough examination by the Commission. We have examined them, our examination is continuing, and we may well amend our initial proposal as a result. I am thinking in particular of your ingenious suggestion that, instead of intermediate own resources ceilings for each year, multiannual financial forecasts should be written into the interinstitutional agreement with a clause to the effect that each individual ceiling by objective figuring in these forecasts could only be exceeded on the basis of a unanimous decision in the Council and a qualified majority in Parliament.

This is evidence of the Commission's openness in admitting that Parliament's ideas would have the same effect, in terms of budgetary discipline, as its own proposals.

The Commission also discussed the possibility of acting immediately on this basic idea. But, as I told you, we decided to shelve it until a dialogue began between the Council and Parliament.

You can see that the Commission is open-minded yet determined, flexible yet firm on the essentials. We must find a permanent solution to our internal problems, which will allow us to live together as Twelve and demonstrate that the Community is a viable enterprise. The Community needs to be strong, needs to put its problems behind it, if it is to assume all its responsibilities on the world stage.

Let me end with a few words on the Community's international responsibilities, more specifically on the economic front, which falls within the Commission's competence.

In my statement on the main thrust of Commission policy in 1985, I expressed the hope that the Community would be an actor and not just a spectator on the contemporary stage. The large market — if I may mention it once again — presupposes the existence of an external policy and presents us with choices in this area. You will see this with the proposed banking directive. You will already have seen it with the liberalization of capital movements, an area in which

the Community must act as one in the event of a recurrence of recent events on the world's financial and stock markets.

We must do away with disparities in import regulations.

In short, we must strengthen our external economic policy in all the areas in which we are moving forward together.

It is obvious, surely, that our 1992 deadline is also mobilizing our main partners. Internal requirements are being reinforced by calls from beyond our frontiers for greater cohesion within the Community. Those of you who have gone on mission to various parts of the globe are aware of this. The outside world has more confidence in European integration than we do. This is the message we are receiving from the EFTA countries, from the Maghreb, from Latin America and from Central America. Will we have the strength and the courage to respond? This is the fundamental question. If we are to succeed, ladies and gentlemen, we must rely entirely on our own resources.

Since the first oil crisis, the Community has benefited from the rapid expansion of a number of major markets.

Let's take the developing countries first. Between 1972 and 1981 developing countries' imports of manufactured goods more than doubled. European exporters made the most of their opportunities and the developing countries now account for 20% of their export market.

During the first half of the 1980s, demand from the United States took over from the Third World. As far as the Community is concerned the effect of the subsequent growth in US imports can be put at about one additional point in the growth rate.

Today, demand in the developing countries has not fully recovered and may suffer a setback because of international financial instability. As for US imports, growth is likely to be very slow during 1988 and 1989.

What this admittedly cursory survey shows is that Europe must now rely on its own internal dynamism. More than two-thirds of our trade is being conducted within the European economic area represented by the large frontier-free market. Europe must mobilize this potential to ensure its own recovery, which will benefit the world economy too. Everything points to the need for positive action in our relations with the

outside world, whether in the area of commercial policy (Mr Genscher stressed the importance of the Uruguay Round), development cooperation (preparations will get under way this year for the new Lomé Convention), indebtedness (a recent report from the World Bank has alerted us to the gravity of the situation), or monetary cooperation.

Some will argue that we need more determined monetary policy. They are right. It is vital that the Community's monetary house should be built on a rock. But we must not abandon the pragmatic approach that has served us, well. Let us develop the private ECU. Let us monitor this development, ratifying the role of the private ECU, through the Central Banks. Let us erect defences against fluctuations of the dollar and the yen. This will lead quite naturally to making the EMCF an effective instrument, the beginnings of a European Central Bank, which will play a regulating and integrating role when the time comes.

On the question of strengthening the European Monetary System, we have—to use a farming metaphor—ploughed a furrow and the plough is now blocked by a stone. But instead of ploughing other furrows let us remove the stone and continue down the field.

In 1988, as in 1987, our agenda will include increased cooperation on macroeconomic pol-

icy. What is surprising here is that monetary cooperation is now prompting economic cooperation. Some years ago—you will remember the Werner Report for instance—we were convinced that cooperation on macroeconomic policy would lead to monetary union. But things have changed. Today the most dynamic factor for cooperation on macroeconomic policy is monetary cooperation. This explains why the Commission, in the interests of increased economic cooperation, has proposed arrangements for regular multilateral monitoring of exchange markets and monetary policies to the Finance Ministers.

To enable the Member States to reap all the benefits of interdependence—for interdependence is what it is all about although we overlook this in practice and in our policies—the Commission has presented proposal after proposal to the Council, so far without result. You are only too well aware of the polite reception given to our cooperative growth strategy.

I suggested new initiatives in Copenhagen but these got nowhere because the European Council failed. I won't lose heart. I will try again in Brussels for the simple reason that I am convinced that Europe is being offered a golden opportunity to confirm its responsibilities abroad and contribute to more growth, more jobs and more solidarity at home.

## The President's reply to the debate

Lord Plumb, Mr Genscher. May I begin by thanking everyone who has spoken in the debate. I hope they will forgive me for not mentioning them by name. They all resisted the temptation to repeat the debate we had on the Commission's proposals, preferring to voice their fears, pinpoint priorities, highlight problem areas and, in some cases, raise matters of principle.

Rather than take up all these points, I would like to take advantage of Mr Genscher's presence to say that, this year, the Commission intends to contribute as far as it can to answering three fundamental questions.

First, will the Commission's plan to revitalize the Community take off? Second, will the large market be perceived as irreversible, in the way which I indicated this morning, the proof of movement being movement itself, as Mr Berstein said? Third, will Europe seize the opportunity to take an initiative on the economic front which might alleviate the world crisis by increasing growth and employment? These are the three questions that must be answered.

The first question is extremely important to me, but also, I think, to the Commission and the Community as a whole.

The first steps have been taken. The European Council accepted the large frontier-free market, the 1992 deadline, the only issue on which the Ten, and subsequently the Twelve, have been able to agree. Then the Ten, and subsequently the Twelve, agreed to amend the Treaty of Rome to make it possible to complete the large market and attain the objectives I referred to this morning. And now we are looking to the European Council to give the Community the means of attaining those objectives.

Has it struck you that the entire strategy will be put in jeopardy if the means are not provided?

Yet this is inevitable if the Brussels European Council ends in failure. Veterans of the diplomatic scene tell me that we have only to wait until Hanover. But waiting for Hanover means that the entire six months of the German Presidency will be devoted to finding a solution, with the result that nothing important will be achieved in other areas. It is as simple as that.

To put it another way, the Commission's package could be seen as the marriage contract between the Twelve. If the contract is not signed, if the means are not provided, my belief—without wishing to be too pessimistic—is that we will be unable to do what remains to be done, that we will have to find another solution. What solution, you may ask? All I can say is, that if the worst should happen, I will let you know in due course.

Second, how do we make the large market irreversible? The Council has, I think, adopted 70 directives to date, the 70 least controversial. From now on each important directive—and I cited some examples this morning—will call for greater mutual trust between the Twelve and a display of political will in terms of the approximation of legislation and increased cooperation.

As Members of this House you may hold differing views on the importance of the social aspects of particular issues. But no important directive can be accepted today unless the social aspects have been looked into.

Equally, while parliamentarians and indeed ministers may differ on the monetary issue, the fact of the matter is that progress here is essential for progress elsewhere.

And the large market would be unthinkable unless technological cooperation kept pace with scientific developments and social change.

This is the second moment of truth for the Community. I mentioned it already this morning. Agreement on the key directives will not be easy. Everyone will have reasons for rejecting them. It will take a lot of political will, and perhaps a fresh political initiative, to succeed.

On the third point, I have been saying for a year or more that our growth rate is too low. We have 16 million unemployed, we cannot expect help from any quarter. How can we maintain our credibility if we pass up a chance of contributing to the growth of the world economy and reaping the benefits ourselves in terms of expansion and employment? Do we even want to? We have failed, over the last two years, to act together in this field.

The monetary crisis and the stock market collapse may prove to be a turning-point. As I said, I will continue to press for action.

I have done a lot of thinking, I have listened to you speak and I have come to the conclusion

that it all boils down to two issues: European consciousness and European Union.

If, as Mrs Veil said this morning, there is no European consciousness, then all our pragmatic efforts to promote European integration will have been in vain. Incidentally, in reply to Mr Ulburghs' question, I would say that a citizen of Europe worthy of the name is a citizen of the world, who regards all his fellows as brothers and equals. This is the only philosophy that is compatible with the best that Europe has to offer.

That brings us to the ultimate goal, European Union, cited in the preamble to the Single Act. European Union can only exist on the basis of a common economic area and this is where the difficulties arise. Because we can only create a common economic area if we retain an overall concept of European Union, in other words, if we act as an entity which is organized and aware, it is not a question of choosing between central planning and a liberal approach. Every political entity needs to be organized. The question is, are we prepared to organize ours? This is how I see the problem which you raised, Mr Dankert, in relation to the interinstitutional agreement. If goes beyond technical and political considerations, important though these may be.

The question is whether Parliament is to play a full, active and responsible role in achieving European Union. I can only repeat what I said this morning, about intermediate own resources ceilings to be precise. I would like to see a dialogue begin between the two arms of the budgetary authority, the Council and Parliament. As soon as that happens, the Commission will resume its discussions along the lines I indicated and make appropriate proposals.

Without a European consciousness, without this concept of European Union, nothing is possible. Despite the usual words of welcome extended to every new Presidency—and the German Presidency should be no exception—there is, I am bound to say, a great deal of scepticism, a certain disenchantment in the air. The situation is extremely serious, despite the fact that Europe

is on the move again. There are three very obvious reasons for this which need to be restated from time to time.

First of all, there is national self-interest. This takes the simple form of a country trying to defend its interests at a European Council by going it alone instead of cooperating with the other Member States. As a European I am utterly convinced that not even Europe's most powerful country can succeed on its own, as Mrs Charzat demonstrated in another way. National self-interest can also appear in the guise of a lack of shared ambition.

Secondly, what is called into question if we fail in Brussels and—let us be realistic—in Hanover, is the validity of what we have been doing for the last three years. All that effort to find a common objective—a large frontier-free area—and to acquire the institutional means of achieving it, only to stumble over what? Over the common agricultural policy, which *can* be reformed, and over the readiness of some countries to give money to certain groups despite the devisions created, to sell Europe's soul for a mess of potage? This is the risk we are running. What is at stake—and the Commission is well aware of it—is the validity of the approach it proposed.

Thirdly, I would simply echo Mr Pflimlin's words: 'In today's world, even when Europe is on the move, it cannot keep up with the pace of change'. There are factors for peace and hope in the world around us but, on the economic front, a relentless battle is being waged every day.

The issue can be summed up in one sentence, as Mr Pflimlin said: 'Are we capable of holding our heads high, showing some intelligence, being true to our past and remaining alive?'

There is no single historic moment of truth for Europe. Some people argue that a lot more time is needed. But for those who feel a sense of urgency—and it is difficult not to, given the history of the world—it is absolutely essential that the Brussels European Council should succeed.

## The Commission's programme for 1988

## I — Making a success of the Single Act

### A package of essential reforms

1. Since the Fontainebleau European Council in June 1984 the Community has been on the move again. Three distinct stages can be identified. In Milan in June 1985 the Heads of State or Government endorsed the objective of the Commission's White Paper, pledging the Community to complete the large frontier-free market by 31 December 1992. In Luxembourg in December 1985 the 12 Member States of the newly-enlarged Community signed the Single European Act, the first major reform of the Community's constitution; this came into force last July. The third stage is still incomplete following adjournment of the Copenhagen European Council a month ago: what was and still is at stake is the will to provide the Community with the means and the flanking policies required to implement the Single European Act in its entirety. The Heads of State or Government cannot refrain from reaching a decision when they meet in February if the Community's credibility is to remain intact.

The Single European Act commits the Community to attaining six objectives: completion of a large frontier-free market; increased economic and social cohesion; a common scientific and technological development policy; further development of the European Monetary System; the emergence of a European social dimension; and coordinated action on the environment. These clear-cut tasks combine to make a comprehensive plan that the preamble to the Single European Act links to the ultimate goal of European Union.

To meet this challenge and take the Community to the new frontier which has been endorsed by all national parliaments, the Commission has presented a comprehensive package of proposals. These cover a remodelled common agricultural policy that takes account of the new conditions of production and trade, reform of the structural Funds to transform them into instruments of economic development, adjustment of the level and breakdown of own resources, and more effective budgetary discipline. These are the four constituents of the comprehensive and cogent package presented to the Heads of State or Government in the plan known as 'Making a success of the Single Act'.

2. The proposed reform of the common agricultural policy, which has been on the stocks since 1984, attacks on three fronts. First, the adjustment of production to outlets; this means action on prices, co-responsibility levies and new intervention rules. Second, ensuring the renewal of the European rural model, based on the family farm; this is the philosophy behind the Commission's proposals on direct income support, set-aside arrangements and structural measures to promote rural development. Finally, reciprocal arrangements with other world producers; this will guide the Community in the Uruguay Round negotiations now under way.

3. Stricter and more effective budgetary discipline is to be applied with the help of new institutional arrangements and agricultural stabilizers, making it possible to improve forward management of markets and take steps to avoid exceeding resources allocated to the EAGGF Guarantee Section. Agricultural stabilizers, which must be seen as the tools of a policy, will be applied as appropriate through prices, intervention or co-responsibility levies. The new-style relations between the two arms of the budgetary authority and the institutional arrangements proposed by the Commission should introduce clarity and give perspective to budgetary discipline itself. The first stage would be the establishment of multiannual forecasts, the second would be the setting of reference amounts and the final stage would be the adoption of a detailed budget.

4. The third constituent, increased economic and social cohesion, will be achieved thanks to more vigorous economic growth, completion of the internal market and closer coordination of macroeconomic policies, and structural instruments with real economic impact. The Commission's approach to reform of the structural Funds is a two-pronged one: a new methodology and resources commensurate with the objectives to be attained.

To begin with methodology. In the first place five priority objectives have been selected: achieving growth and adaptation of structurally-backward regional economies; converting industrial regions in decline; combating long-term unemployment; integration of young people into employment; speeding the adjustment of agricultural structures and encouraging rural development in line with the European social model. These five objectives are to be attained with the help of three policies backed by three Funds: a regional policy which will provide a global response to local needs, reducing regional disparities, converting industrial regions in decline



and promoting rural development and hence calling for intervention by the European Regional Development Fund, the European Social Fund and the EAGGF Guidance Section; a social policy which will combat long-term unemployment and promote the integration of young people into working life with the backing of the European Social Fund; and an agricultural structures policy which will be implemented by the EAGGF Guidance Section. In the second place there has been a switch to a programming approach based on development plans. This makes appropriate use of each instrument, is implemented away from the centre, mobilizes Community, national, regional and local agencies, and operates within the framework of financial and budgetary planning.

Then there is the question of adequate resources, which will amount to barely 0.30% of Community GNP by 1992. The proposed doubling of the structural Funds would be equivalent to one twentieth of combined expenditure by the Member States on regional development, social policy and agricultural structures and would allow the implementation at Community level of subsidiary policies involving back-up, incentives and innovation.

5. The fourth constituent is a more balanced resources system, to which each Member State would contribute in proportion to its relative prosperity. This is why the Commission has proposed a fourth resource in addition to the existing three to cover the difference between GNP and actual VAT bases. At the same time the Commission has proposed that the own resources ceiling be raised to 1.40% of GNP in 1992, as compared with 1.16% of GNP in 1987. The limits of the arrangements in force have now been reached and the Community needs sufficient, stable and guaranteed resources. This is what the Commission means by budgetary security. It needs this if it is to programme the Community's tasks by reference to the goal of total integration enshrined in the Single European Act.

## **The Community's international responsibilities**

6. As 1988 begins, the international monetary, financial and economic outlook is unpromising: exchange rates of leading currencies remain unstable despite the efforts to steady them; international current payments imbalances are getting worse and affecting expectations in business circles; monetary upsets and the stock market

crash pose a threat to already modest growth prospects and raise the possibility of greater unemployment, with the knock-on effect on world trade bound to exacerbate developing-country debt problems.

Thanks to the Single European Act, which provides a constitutional basis for European political cooperation, the Community's political dimension has been made clear. As the world's largest trading power, it has a special duty to act and react decisively and consistently at a time of growing international interdependence.

The Community will have all the more to contribute if it can show itself capable of exploiting its own growth potential by completing the integrated market and coordinating macroeconomic policies to stimulate demand. It also has a contribution to make by seeking to correct the most problematic features of the international economic environment in all spheres where the Community has specific competence: the Uruguay Round negotiations; renewal of the Lomé Convention, which is a radical response to the development problems of the poorest countries; the strengthening of economic and political ties with the regions of the Third World — the Mediterranean and Arab world, Asia and Latin America — which have a strong growth potential; a broadening of trade relations with Eastern European countries; a continuous development of close relations with neighbouring EFTA countries and an open-minded approach to countries seeking greater involvement with the Community.

7. The Uruguay Round shows once again the importance of the Community's relations within GATT. This year the negotiations will enter a substantive stage against a background of turmoil on international financial markets and lower growth forecast for world trade. It is important to press ahead with these difficult negotiations as a demonstration of confidence in an open international trading system and its potential as an engine for growth. In 1987 the Commission submitted numerous contributions to all the negotiating groups, notably those on agriculture, intellectual property, services and tropical products. In 1988 it will make any proposals required to keep up the momentum of the talks.

The OECD ministerial meeting in May and the Western Economic Summit in June will provide the Community and its major industrialized trading partners with important opportunities to review progress in the Geneva negotiations.

8. In its relations with the United States the Commission will monitor closely any protec-

tionist measures taken by that country. It will react resolutely to any obstacle to trade relations with the Community and any threat to the multi-lateral trading system as a whole. The Commission expects the US Administration to maintain the firm stance it has so far taken against such tendencies. It will endeavour to pursue and intensify its very close dialogue with the United States authorities to find speedy, satisfactory solutions to all bilateral disputes and prevent them from getting so out of hand that they threaten to jeopardize progress in the Uruguay Round.

As regards Japan, the Commission, in accordance with the guidelines laid down by the Council in 1986 and subsequently confirmed on a number of occasions, will continue to seek broader and more balanced bilateral relations. In spite of a number of encouraging signs in 1987, the Community's trade deficit with Japan has continued to grow. The Commission will accordingly be putting pressure on the Japanese authorities to take further measures to open up the Japanese market to goods and services from the Community in such sectors as financial services, motor vehicles, alcoholic beverages, cosmetics and pharmaceuticals, medical equipment and certain agricultural products.

The Commission will pay particular attention to developments in relations between the Community and Canada in the light of the first 10 years of implementation of the EEC-Canada Framework Agreement. It will also examine the bilateral free trade agreement recently concluded between Canada and the United States. The Community welcomes regional free trade initiatives that comply with Article XXIV of the GATT and actually promote international trade. However, the Commission intends to ensure that the agreement is strictly in accordance with the two countries' international obligations and does not create unnecessary barriers to bilateral trade between the Community and its two partners.

The Commission will continue to seek closer links with Australia and New Zealand and will examine ways of broadening the sphere of mutual cooperation.

In parallel with completion of the internal market and in accordance with the Luxembourg Declaration by Community and EFTA ministers in April 1984, the political will on both sides to create a wider economic area embracing the Community and its EFTA neighbours will be consolidated by a meeting to be held in February between Community ministers responsible for the internal market and their EFTA counter-

parts. The Commission will once again emphasize the importance it attaches to expanding and improving cooperation between the Community and EFTA and at the same time restate the Community's guiding principles, namely the priority given to Community integration, respect for the Community's decision-making autonomy and a balance between the advantages and obligations arising from cooperation. Following the opening of a Commission delegation in Oslo in November 1987, this year will see the opening of a bilateral delegation in Vienna.

Completing the internal market will mean smoothing out differences in import arrangements and hence making the Community's external policy more cohesive. A number of internal barriers to the free movement of goods within the Community are in fact linked to trade between the Community and non-member countries, in which a number of national or regionalized quantitative restrictions persist. The Commission will review efforts to make Community commercial policy more uniform in mid-July.

Turning to the State-trading countries, the Commission hopes that the European member countries of the Council for Mutual Economic Assistance (Comecon) will normalize relations with the Community in the coming year, notably by establishing diplomatic relations. This could coincide with the conclusion of the bilateral cooperation agreements currently under negotiation with Czechoslovakia and Hungary and the signing of a joint declaration by the Community and Comecon. Exploratory discussions on possible trade and economic links with other European Comecon member countries will continue. Where appropriate, the Commission will present proposals for official negotiating directives.

9. At the same time, in an increasingly interdependent world, the Community has a leading role to play on many counts in relations with the countries of the South. It is the largest market for developing countries' products and the leading donor of official development assistance, providing approximately one third of the world total. As a power that does not aspire to dominate, it has developed original forms of cooperation based on the concepts of contract, long-term duration and predictability under both the Lomé Convention and its cooperation agreements with southern and eastern Mediterranean countries. It is also a major source of initiative and compromise in international bodies and conferences, where it generally speaks with one voice: Unctad VII and the

Second Committee (Economic and Financial) of the UN Assembly were good examples of this in 1987.

In 1988, as in previous years, the Community will act to strengthen the development prospects of the countries of the South and thus contribute to sustained and lasting world growth, which should in turn lead to greater political stability in those countries and throughout the world. It will do this first of all by strengthening its internal growth along the lines drawn by its cooperative growth strategy and by helping to reduce world monetary instability through the EMS. At the same time, by playing an active and constructive part in the Uruguay Round, it will make a direct contribution to the effort to strengthen world trade for the benefit of the South. The Community's 1987 offer on tropical products was the first of its kind. Furthermore, Community support for taking the current debt strategy a stage further and for a revival of financial flows to indebted countries will make a significant contribution to efforts to resolve the indebtedness problem.

The Community maintains many links, forms of dialogue and agreements which in 1988 will provide it with opportunities to maintain and strengthen its activities on behalf of the developing regions of the world. The launching of the negotiations on the new ACP-EEC convention to replace Lomé III from 1989 will provide an excellent opportunity for further improvements in relations with its partners. There will be a special 100 million ECU programme — announced at the Venice Summit — of exceptional aid for the particularly needy and highly-indebted countries of sub-Saharan Africa. This will be a large-scale operation, in the form of general and sectoral import programmes, to be mounted in close cooperation with the World Bank and the IMF. In implementing the programme the Commission will seek every opportunity to act as a catalyst and in concert with other donors. Furthermore, the worsening economic crisis and deteriorating standards of living in sub-Saharan Africa are only too evident and, at a time when more and more macroeconomic reorganization programmes are being undertaken in that region, it is becoming clear that both structural and sectoral adjustment will require a long-term effort. In the context of the negotiations for renewal of the Lomé Convention, the Community should therefore ask itself whether the forms of cooperation embodied in the current Convention are what an Africa in crisis really needs, focused as they are on sectoral policies and long-term action downstream of the macroeconomic effort.

In the Gulf area the negotiations begun in 1987 on the first stage of a cooperation agreement with the member countries of the Gulf Cooperation Council should be brought to an early conclusion this year. Talks with the GCC countries will continue with a view to examining the possibilities of concluding an agreement for the expansion and reciprocal liberalization of trade between the Community and the Gulf.

In Latin America, Asia and the Mediterranean, financial and technical cooperation will continue and steps will be taken to strengthen industrial and technological cooperation with certain developing countries in accordance with the guidelines adopted by the Council last June. The Commission will present specific proposals to the Council for the promotion of joint ventures in the industrial and services sectors. Early in the year the Commission hopes to wind up the current negotiations with the Community's Mediterranean partners. The aim is twofold: firstly, to make the technical and economic adjustments to the various association and cooperation agreements in force to take account of the accession of Spain and Portugal; and secondly, to complete the negotiations on the third-generation financial protocols, giving the green light for the aid programming to be undertaken by the Commission in cooperation with the EIB. On Turkey's application to join the Community the Commission, as requested by the Council last April, will press ahead with work on the opinion it is required to present on the relevant Treaty articles.

Last June the Council adopted a text expressing a desire for closer political, economic and industrial relations between the Community and Latin America. The Commission will use this as a basis for establishing or promoting true cooperation with these countries in all sectors. Closer links with regional and political groupings will also be forged in 1988. In this way political and economic cooperation will continue to be used to promote peace and regional integration between neighbouring developing countries, notably in Central America. At the end of February a joint ministerial conference will be held in Hamburg between the Community and the five Central American and four Contadora Group countries. The Commission will contribute in line with the efforts made since this dialogue began in San José, Costa Rica, in September 1984, with the aim of strengthening stability and cooperation in the region. The dialogue inaugurated in New York last September with the eight most important Latin American countries, the Rio Group, will also continue.

Consolidation of the Community's relations with China will continue this year under the current Trade and Economic Cooperation Agreement. The emphasis will be on investment and export promotion. A third EEC-China business week, organized by the Commission, will be held in March. A Commission delegation will be opened in Beijing in the course of the year. In South and South-East Asia further efforts will be made to aid the poorer countries to boost the Community's economic presence and step up investment. In the late spring EEC and Asean Foreign Ministers will meet to pursue their political dialogue, take stock of recent economic initiatives and review future prospects (investment, intellectual property, human resources, etc.). During the year the Commission will continue to urge the South Korean authorities to afford imported products and services easier and less discriminatory access to the domestic market. It will continue to work for satisfactory protection for European copyright and patent interests, as it did in 1987 when the Council adopted its proposal to suspend application of the GSP to South Korea.

## **Harnessing interdependence for stronger economic growth**

10. The main way the Community can contribute to restoring a balance to the world economy in 1988 is through stronger internally generated growth. Since its imports represent one third of world trade and 25% of developing countries' export markets, the Community, along with Japan, can compensate for any slowdown that might occur as a result of adjustment of domestic demand in the United States.

At all events, it has already been calculated that the fall in the dollar and the recent drop in stockmarket prices could lead to a growth rate in the OECD countries some 0.5 to 1 point lower than previously forecast. That is another reason for encouraging more buoyant growth of internal demand in the Community, while not slackening efforts to improve supply terms.

Continuing disinflation and the restoration of enterprises' finances is creating the potential for dynamism. As this potential is realized, the best possible use must be made of the interdependence of the Community economies, along the lines of the medium-term objectives of the Community's cooperative growth strategy.

11. One of the main components of the strategy is consolidation of the European Monetary

system to reduce the cost of maintaining currency stability within the parity grids covered by the exchange-rate agreement. Thanks to the arrangements agreed at Nyborg last September the burden of maintaining currency stability in the face of external shocks will be better distributed between the Member States. This improved cooperation should enable national monetary policies to play a proper stabilizing role and promote the potential for growth. The Commission, for its part, will contribute to application of the Basle arrangements by devising a multilateral surveillance system based on the use of macroeconomic indicators suitable for the operating needs of the European Monetary System.

Steps have also been taken to tighten cooperation between monetary policies within the Community with the aim among other things of improving coordination of interest-rate movements. The slide of the dollar and the hoped-for appreciation of the yen may create opportunities for joint action to maintain or if necessary amplify the decline in short-term interest rates that began at the end of last year.

The stability of exchange rates within the EMS and the moderate trend in interest rates on the component currencies should make a vital contribution to continued growth of the use of the private ECU for financial and commercial purposes. Promotion of the ECU, at once a symbol and a means of strengthening the Community's monetary identity, will be one of the Commission's day-to-day tasks.

12. Another vital component of the strategy is optimum use of the room for manoeuvre for budgetary and tax policy in a context of relative wage moderation. Now that monetary policies have converged and the policy on stability is in place, budgetary policies should be differentiated in line with progress made in restoring healthy public finances. The annual economic report, revised after the events of last October, provides a basis for this.

In practice, further tax reductions and public investment spending with a strong economic knock-on effect can be varied in the Member States concerned, in the light of the opportunities arising early in the year. These might be created by changes in world energy prices or budget outturns for 1987, should these prove more favourable than originally expected. The Commission's reports on the economic situation in March and July will provide a good opportunity for assessing the room for manoeuvre and the best way of using it.

13. Finally, the impact on investment performance in 1988 of decisions taken by the Council on vital aspects of the internal market must not be underestimated. It is true that these decisions (in particular the opening up of public procurement, closer alignment of standards and creation of a European financial area) relate to 1992, but they do help to underpin business expectations of stronger demand, thus justifying diversification or capacity extension. And, in a situation marked by uncertainty or increased competition from economies tied to the dollar, anything that will counteract a possible wait-and-see attitude on the part of European business, as was seen for example in the second half of 1986, is to be welcomed.

14. Optimum use of the Community dimension could therefore enable national economic policies in the Community of Twelve to produce the best possible results while preserving the momentum for growth which developed in the second half of 1987. However, if the most is to

be made of interdependence what is needed is not a Community regulation, but organized interaction between national decisions on monetary, budgetary and structural issues.

There will be two major opportunities during the year for further analysis and, where necessary, proposals to make interaction more effective in an increasingly integrated European financial and commercial framework.

The first will arise when the Commission, given the growing importance of monetary cooperation in the context of the EMS, examines the advisability of improving procedures for coordinating economic policies, with particular reference to the 1974 convergence Decision. The second will come before the end of the year when the Commission, working closely with the Monetary Committee and the Committee of Central Bank Governors, sets out its conclusions on the institutional phase of the EMS with a view to achieving economic and monetary union by 1992.

## II — Towards a large market: an irreversible process

15. As in previous years, the Commission's main task in 1988 will be completion of the internal market. This objective and the 31 December 1992 deadline are now enshrined in the Single European Act which defines the internal market as 'an area without frontiers in which the free movement of goods, persons, services and capital is insured in accordance with the provision of the Treaty'.

The new cooperation procedure and the growing trend towards majority voting in the Council, first seen in 1986 and confirmed in 1987, should make for more effective decision-making. The Commission is determined to use all the means at its disposal to promote the active development of the decision-making process. It also intends to give its fullest attention to the need for decisions on its own executive powers.

16. In recent months there has been an upsurge of support from business, employers, trade unions and consumers for the grand design, implicit in the 1992 deadline, to which the Community has belatedly returned following the first major success of the late 1960s, the abolition of customs duties in intra-Community trade and the introduction of the Common Customs Tariff. The message coming through is that attitudes are already changing at grassroots level, which is precisely where the integration process must be recognized and experienced. Publication early in 1988 of the findings of studies on the cost of 'Non-Europe' will illustrate the decisive role which the large frontier-free market can play in guaranteeing the Community's future prosperity.

The Community must not merely hold its own in 1988. Under the Single European Act an initial balance sheet will have to be produced. At the beginning of the year the Commission will therefore present its annual report on implementation of the White Paper and in the second half of the year it will take stock of progress towards the 1992 deadline.

In accordance with the new Article 8B, introduced by the Single European Act, the Commission will propose the guidelines and conditions necessary to ensure balanced progress in all the sectors concerned.

The implications of the integrated market for people in general and workers in particular must

not be overlooked. In 1988 the Commission will therefore be looking for ways and means of ensuring that the social dimension of a frontier-free area is given substance in parallel with economic concerns. The Commission is fully aware of the range and complexity of the problems arising in this area, the broad diversity of traditions and customs and the heterogeneity of those concerned. However, given the encouraging progress made in 1986 and 1987 in the context of the Val Duchesse social dialogue, the Commission is convinced that constructive thinking and progress based on concertation are both necessary and possible. Indeed, arrangements already in place can be seen as the beginnings of the social dimension of the large market. Others, stemming from the reform of the Treaty, will emerge before long. Still others will need to be devised to ensure that means of action are appropriate to the task. This is why the Commission engaged in *ad hoc* discussions in 1987 to determine the main thrust of the initiatives to be developed in this vital area in 1988.

17. It is true that 67 of the measures listed in the White Paper have been adopted. But 126 proposals are still pending; 29 of these were presented by the Commission in 1987 and 14 have reached the common position stage under the new cooperation procedure. However, substantial progress has lent credibility to the exercise: decisions have been taken on customs debt, the temporary admission of containers, and simplification of the Community transit system; mutual recognition is now being introduced for domestic pressure vessels and toys under the new approach to standardization, which merely involves the setting of essential requirements, technical specifications being left to certification agencies; work on the elimination of technical barriers has continued with the adoption of decisions on a number of industrial products; important steps have been taken to facilitate border checks and formalities in trade between the Member States; the first hurdle in the programme to liberalize capital movements has been cleared; agreement was reached last year on the deregulation of air services; the Erasmus programme to promote student mobility was launched; the Comett programme on cooperation between the universities and the new technologies was fully implemented; and the Single Administrative Document and the integrated tariff based on the new combined nomenclature were introduced on 1 January of this year. All this provides concrete evidence that things are moving.

The Single Administrative Document, introduced as an intermediate arrangement pending

the complete elimination of border checks and formalities in trade within the Community, will considerably simplify paperwork as it reduces the amount of information required from traders. It will be withdrawn in intra-Community trade as soon as the large market is a reality but will remain in use in trade between the Community and the rest of the world. Other measures to simplify border checks and formalities in intra-Community trade before they are eliminated altogether include the streamlining of procedures at customs posts (no formalities to be complied with on goods leaving a Member State as they are concentrated at the point of entry in the neighbouring Member State) and the renewal of the Council Regulation introducing arrangements for movement within the Community of goods sent from one Member State for temporary use in one or more other Member States.

## Priority areas

18. In the months ahead the Commission will concentrate on making the process irreversible. Firstly, a breakthrough must be made in the six key areas identified by the Brussels European Council last June as urgent if the 1992 deadline is to be met: the opening of public procurement, the approximation of standards, full liberalization of capital movements, insurance matters and the mutual recognition of diplomas, and progress on the company law adjustments required for the creation of a European company. The long-awaited decisions in these fields should be taken early in the year.

## Public procurement

19. In one key part of the internal market programme, the opening up of public procurement, a broadly-based strategy which the Commission proposed last year is now under way. Early in the year the Commission will table proposals to bring the key sectors of telecommunications, energy, transport and water supply within the Community competitive tendering rules. It is crucially important for the economic and industrial impact of liberalization that all sectors of the economy should be covered. At the same time, this vital component of the drive to create a single market must be squared with industrial and regional policy objectives and take account of the social implications. It is also necessary to coordinate the relevant national legislation. When it comes forward with its proposals on excluded sectors the Commission will therefore

be explaining how it intends to deal with these wider problems.

Meanwhile, the Council and Parliament should quickly pass into law the proposals for tightening up the rules of the supplies and works directives which have been under discussion since 1986. A decision should also be taken on a proposal for a directive, tabled by the Commission the day the Single European Act came into force, to guarantee effective application of Community rules. Under this proposal aggrieved suppliers and contractors would have a means of redress through judicial or administrative channels and the Commission would be able to intervene rapidly to prevent infringements. To increase the transparency of the rules, the Commission will publish a guide early in the year for the use of national administrations and industry. This will explain how the provisions should be interpreted, say where the limits of contracting authorities' discretion lie in particular instances, and provide useful information for firms interested in bidding for contracts.

## Standards

20. Having presented proposals as important as that on the safety of machinery last year, the Commission in 1988 will present all the technical harmonization proposals listed in the White Paper. These include some directives based on the new approach (woodworking machinery, electromedical equipment, personal protection equipment, electronic measuring instruments and gas appliances) and others based on the old approach (earthmoving equipment and hoisting gear). A number of proposals for the harmonization of technical regulations will also be presented in major sectors such as motor vehicles, chemicals and pharmaceutical products. The Commission will also defend the large number of proposals currently pending before the Council or Parliament, several of which will need to be adopted in 1988.

With regard to the new policy on the mutual recognition of certificates and test results—a necessary extension of the technical harmonization policy—a number of initiatives launched since 1986 should come to fruition in 1988, creating the greater transparency and increased confidence which are essential for completion of the internal market in this area. Work already under way includes the adoption of European standards on criteria for the evaluation of certification bodies, testing laboratories and systems for their accreditation scheduled for the end of 1988; the development of the

Promolog data base containing information on certification systems, procedures, criteria and the bodies responsible for their implementation; the creation of a new certification and testing structure at European level and, lastly, the framing of a detailed overall policy in this area.

## Capital movements

21. Constituting the final phase of the programme for the liberalization of capital movements presented by the Commission in May 1986, the three legal instruments proposed by the Commission last autumn are designed to complete a process which, after a quarter of a century, was revived in November 1986 (liberalization extended to long-term commercial credits, transactions in securities not traded on a stock exchange, admission of securities to the capital market) and in the summer of 1987 (abolition of the exceptional arrangements in Italy and France). The task now is twofold: firstly, to extend freedom of movement to financial loans and credits, current and deposit account operations and investments in short-term securities, to provide for a safeguard clause to cover any short-term disruptions and, to that end, to amend the current Directive on regulating international capital flows; and secondly, to combine the existing Community loan and medium-term financial assistance mechanisms into a single medium-term financial support instrument capable of responding to needs arising both from liberalisation of capital movements and from balance-of-payments difficulties. If it were to become the principal medium-term support instrument, the single mechanism proposed would unify the conditions under which assistance is granted.

The Commission is aware of the differing situations in the 12 Member States. Four have fully liberalized capital movements and four others are close to doing so. The Commission has concluded that the remaining four need a transitional period of two to four years to catch up with the rest. It remains convinced that the advantages of progressing resolutely towards a common financial area outweigh the disadvantages, since it will enable Europe to organize itself more efficiently by boosting the confidence of financial institutions and savers.

In 1988 the Commission expects the Council to consolidate progress in this key area and the Member States to adopt appropriate positions on the tax implications of completely liberalized capital movements.

## Insurance

22. The Commission welcomes the agreement reached by the Council in December on the key points of a proposal for a directive facilitating the exercise of freedom to supply services in the field of non-life insurance. This should lead to early adoption of the directive in a form which, while affording the general public the necessary measure of protection ('mass risks'), will offer big industrial and commercial policy-holders a comprehensive range of choices and allow them to take full advantage of the economies of scale associated with the large internal market. In the wake of the Court's judgments of 4 December 1986, this breakthrough on a dossier deadlocked since 1978 is particularly significant in that non-life insurance plays a pioneering role in Community legislation. The way should now be clear for genuine headway in 1988 on the proposals for directives aimed at facilitating the exercise of freedom to supply services in the field of life assurance and compulsory third-party motor vehicle insurance.

## Business cooperation

23. Priority must also be given in 1988 to further efforts to encourage cooperation between firms. A reliable legal framework is needed to promote more rapid development of transfrontier cooperation, as now exemplified in practical form in the future-oriented industries by the new phases of such major cooperative projects as Esprit, Brite and RACE. In keeping with the spirit of the conclusions of the Brussels European Council and with the timetable set out in the White Paper, the Commission will play its part by resuming work on the European company. It intends to produce a communication on this subject in the months ahead. Some progress was registered in 1987, but the pace will have to be speeded up, particularly on the proposal for a fifth directive on the structure of companies. Priority must also be given to the proposal for an 11th directive designed to exempt branches of companies from the obligation to publish separate accounts.

Active preparations will be made for the entry into force in July of the Regulation on the European Economic Interest Group (EEIG), a new legal instrument designed to achieve closer transnational cooperation. With the same end in view, the Commission will continue its work on company taxation and will publish a white paper on the subject shortly. A prime concern will be the need to make Community industry



more competitive on world markets. There are also signs of progress on the outstanding package of three proposals for directives on company taxation (parent companies and their subsidiaries; mergers, divisions and contributions of assets; double taxation). It is hoped that decisions on these proposals, which have been awaited for almost 20 years, can be adopted this year; the Commission will press for completion of the process by the end of June.

## Recognition of diplomas

24. Reinforcing European identity so that the man in the street is aware of living in a Community without frontiers is one of the Commission's priorities. Attainment of this objective is sought through a number of ambitious programmes with a training element, such as Comett, Erasmus and YES. But it is just as important that trained individuals, whether employed or self-employed, should be free to exercise their profession or occupation anywhere in the Community, irrespective of where they received their training or their diploma. This is the aim of the proposal for a directive on the general recognition of higher education diplomas presented by the Commission in 1985 and amended since then to take account of the opinions of Parliament and the Economic and Social Committee. The basic aim of this proposal has already been endorsed on three occasions by the Heads of State or Government and the Commission hopes that 1988 will see its adoption. This would supplement and reinforce efforts already made for a number of liberalized categories (doctors, paramedical staff and architects).

Other activities geared towards the same objective must not be forgotten, notably work on the correspondence of the qualification of employed persons and access to public service posts for nationals of other Member States. The objective remains the same: to make it possible for each and every Community citizen to move freely within the Community.

## Other important areas

25. In parallel with the decisions to be taken in 1988 in these six priority areas, renewed efforts will be made in all the other segments of the programme set out in the White Paper, where substantial progress is needed. The Commission considers that priority should be given to company taxation, freedom to provide services in inland transport and freedom of movement. It

intends to speed up work over the next few months on animal and plant health legislation, where excessive delays have occurred because 30-odd proposals are blocked at expert-level within the Council. These include the strategy to be followed in the veterinary field, eradication of the major animal diseases and the simplification of inspections. In other areas, the Commission will present the bulk of the remaining proposals required by the White Paper before the end of the year, to give the Council and Parliament a clear picture of the programme that must be followed if the 1992 deadline is to be met. Proper functioning of the integrated market also presupposes the availability of statistics worked out on a new basis. The Commission will be presenting a statistical programme to the Council to take account of the new situation. Finally, progress must be made on intellectual property. The Commission will press ahead with work on a Community trade mark and the proposal for a directive on the harmonization of national trade mark law with an eye to a decision in 1988. It will present a proposal for a directive to protect intellectual property in the sphere of biotechnology and integrated software, patently of crucial importance to the development of these technologies. It will contribute to the talks in the Uruguay Round on increased international protection for intellectual property in general and help with the drafting of a multilateral treaty on the protection of topographies of semi-conductor products, a logical extension of the Community directive which came into force last November.

## Indirect taxation

26. The checks and formalities which are still carried out in intra-Community trade give the Member States scope to apply certain policies, notably taxation policy, which are not yet harmonized. It is imperative that a solution be found to problems and disparities in the field of taxation. Only if tax rates are sufficiently close together to rule out distortions of competition and deflections of trade can the economy operate freely. The Commission has taken up this challenge. In 1987, in line with the programme set out in the White Paper, it presented a pragmatic comprehensive plan for abolishing internal tax frontiers by 1992. The purpose of the package is to make minimal changes to the operation of the VAT system, the structure of VAT rates and excise duties so that border checks can be eliminated. The main features of the package are the approximation of VAT and excise rates, the harmonization of the structure

of these rates and the introduction of a simple compensation mechanism to insure a proper breakdown of VAT receipts between the Member States. The Commission's proposals are designed to create a better framework which will cause minimum interference with national taxation policies. The Council's main priority this year must be to adopt the package.

All the Community institutions will have to cooperate actively to find solutions to the questions and problems posed by the package at macroeconomic level to ensure that the large market is a reality by 1992.

The Commission will present important proposals before the end of the year on passenger transport; works of art, collectors' items, antiques and used goods; minor excise duties; and linkage between bonded warehouses.

## Financial area

27. With the process of financial integration gathering momentum, progress must be made on other aspects of the financial area in 1988. Banks and intermediaries of all kinds should enjoy increasing freedom in offering their services within the integrated market. Savers and investors should be guaranteed the level of protection and transparency essential in an integrated area. For this reason the twofold need for liberalization and harmonization in this field must again be the primary focus of attention in 1988.

## Checks on individuals

28. The free movement of persons is a visible and highly sensitive indication of the tangible and practical impact of a frontier-free area. It is of course associated with the question of personal security, for the abolition of internal controls must be accompanied by measures to preserve freedom. At their meetings in 1987, which were a follow-up to their London meeting in October 1986, Interior Ministers and the Commission confirmed the need for a common policy *vis-à-vis* non-member countries to pave the way for the elimination of checks on individuals at frontiers within the Community. Side by side with the cooperation which has begun between Member States, the Commission is pressing ahead with work on proposals in areas where harmonization is a prerequisite for freedom of movement. In 1987 it presented a proposal on the arms trade. In 1988 it will deal with visas

and the right of asylum, two commitments set out in the White Paper.

## Competition

29. Enforcement of the competition rules to keep markets open and dynamic must be identified even more closely with the goal of an integrated market.

The priority in 1988 must be to secure adoption of a Council Regulation on merger control, which in the context of completion of the internal market is essential for maintaining competition in Community industry. Legal certainty requires that mergers should be subject to a single set of rules administered by the Community. The signs of agreement that emerged in the Council last December on the Commission's proposal, which has been pending since 1973, have opened up the prospect of a solution in the first half of this year. The Commission plans to adapt the 1973 proposal shortly, while maintaining its essential features: the rules must apply to mergers above a certain size that have an impact in a significant part of the common market, they must create legal certainty, rest on cooperation with Member States, and follow the well-established procedures for enforcing Articles 85 and 86.

State aid can not only distort competition but also sap firms' will to become more competitive. The Commission will pursue its policy in this area in 1988, which will also see a continuation of the process of reintroducing competition into industries still on the sick list such as steel and shipbuilding. The work carried out in 1986 and 1987 on an inventory of state aid schemes in the Community will be completed with a view to the production of a White Paper before the end of the year.

The objective of encouraging technology transfer and modern distribution methods on terms compatible with the competition rules will continue to inform the work that has been under way for two years on know-how licensing and franchising. In the light of the consultations that were held last year, the Commission expects to be able to finalize its policy in 1988 on these two common forms of cooperation by stating the conditions which agreements must fulfil to qualify for exemption. It also intends to update its 1962 notice on agency agreements and so round off the framework of rules on distribution with a view to the integrated market. Similarly, the Commission will issue a notice on the assessment of joint ventures under the competition rules.

## Internal market

- Publication of studies on the cost of 'non-Europe'
- Annual progress report on implementation of the White Paper
- Report on progress made towards achieving the internal market (Article 8B introduced by the Single European Act)
- Preparation and presentation of a new statistical programme linked to the proper functioning of the integrated market

## Physical barriers

- Implementation of two major customs innovations from 1 January 1988: the Single Administrative Document (SAD) and the Harmonized Commodity Description and Coding System (HS)
- Continuation of work on the establishment of a Community customs code by 1992 and the coordinated development of computerized customs procedures (CD)
- Proposal for a directive on the abolition of border transport controls
- New proposals for an alternative gathering system for trade statistics
- Various measures relating to animal health, public health and plant health provided for in the White Paper (establishment of a strategy for the veterinary sector, simplification of controls, eradication of animal diseases, arbitration in the event of conflicts, health controls, etc.)
- \* Updating and streamlining of rules on the Community movement carnet for goods sent from one Member State for temporary use in another

## Technical barriers

### Standardization and harmonization

- \* Various proposals in the field of standardization (excavation equipment, hoisting equipment, electromedical equipment, personal protective equipment, electronic measuring equipment, gas equipment, woodworking equipment)
- \* Proposals for sectoral harmonization relating to vehicles (evaluation of protection characteristics, type approval of buses, coaches and motorcycles), pharmaceutical products (veterinary medicinal products), chemical products (oligo-elements in fertilizers) and other fields (metrology, electrical equipment for use in explosive atmospheres)
- Adaptations to technical progress and various initiatives in a number of sectors (test methods, trucks)
- \* Development and implementation of a certification policy

### Public contracts

- \* Liberalization of public works and supply contracts in excluded sectors (telecommunications, energy, transport, water)
- Communication(s) on the implications of the liberalization of public contracts for regional and industrial policy

- \* Continuation of efforts to secure the adoption of directives tightening up the rules on public supply and works contracts and the directive on remedies for breaches of the competitive tendering rules

### *Capital movements and the financial services market*

- Final stage in the liberalization of capital movements: from financial to monetary
- \* Proposal for a second directive on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions
- \* Proposal for a directive on the solvency ratios of credit institutions
- \* Proposal for a directive on the harmonization of conditions for the issue of mortgage bonds
- \* Continuation of work to secure early adoption of the proposal for a second directive on non-life insurance
- \* Proposal for a directive on freedom to provide services in the field of life assurance
- \* Proposal for a directive on freedom to provide services in the field of third-party motor vehicle insurance
- \* Proposal for a directive on freedom to provide services in the field of investment (stock market operation and securities)
- Symposium (March 1988) on Community policy towards financial conglomerates

### *Free movement of workers and members of the professions*

- Continuation of efforts to advance the adoption of a general system for the recognition of diplomas and certificates in the Community
- Implementation of Erasmus
- Continued implementation of Comett, evaluation and proposal for Comett II
- Continuation of work concerning the correspondence of vocational training qualifications (hotel and catering trade, construction industry, motor vehicle industry)
- \* Initiatives in the area of public service employment
- Proposals and various measures aimed at revising existing instruments to improve rules governing the free movement of workers

### *Creation of an environment favourable to business cooperation*

- Continuation of efforts to adapt company law through the adoption of the directives outstanding
- Renewed efforts (communication) to establish the European company

### *Intellectual property*

- Continuation of work on the introduction of a Community trade mark and adoption of the directive on the harmonization of trade mark law
- \* Proposal(s) for a directive or directives to protect intellectual property in the sphere of biotechnology and integrated software

- Proposals for decisions seeking to secure legal protection in non-member countries for topographies of semiconductor products of Community origin and participation in a diplomatic negotiating conference on the protection of these products
- Presentation of a Green Paper on copyright
- Negotiations within the Uruguay Round on increased international protection of intellectual property

### *Clarity in the law*

- Communications (Article 30 EEC) on the improvement of the information available to businessmen with a view to ensuring clarity in the law (foodstuffs, CB radios, works of art, approval procedures)
- Publication of a handbook on the legal aspects of the free movement of goods

### *Fiscal barriers*

- Proposal for a directive on the harmonization of the VAT rules to be applied to works of art, collector's items, antiques and used goods
- Proposal for a directive on the VAT rules to be applied to passenger transport
- Proposals for directives flanking the 1987 tax package (abolition or reduction of minor excise duties, link-up between national warehouses for the storage of dutiable goods)

### *Competition*

- Merger control
- Production of a White Paper on State aids
- Rules on know-how licensing and franchising agreements
- Communication on agency contracts
- Communication on the assessment of joint ventures in the light of the competition rules

### III — Towards an integrated economic and social area: flanking policies

#### Economic and social cohesion

30. Completion of the internal market, a central element of European integration, will become really meaningful only if it brings balanced economic and social progress within the large frontier-free area. It will need to produce lower costs, economies of scale, increased trade, more competition, a wider technological base and productivity gains. But this must be coupled with faster growth and a consequent improvement in employment, a reduction of regional disparities, preservation of the countryside and effective freedom of movement for individuals. All this is essential and requires considerable encouragement from the Community if balanced progress is to be made in the six major policy areas highlighted by the reform of the Treaty: establishment of the large market by 1992; economic and social cohesion backed by the structural instruments, and the cooperative growth strategy; a common policy on scientific and technological research and development; a stronger European Monetary System; progress on working conditions and the health and safety of workers; and coordinated environmental measures. This is the new framework that the Single European Act has given the Community.

Increased growth must provide the economic context for progress towards an integrated area. Together completion of the internal market and the Community's cooperative strategy provide a basis for achieving growth relying on internal forces. The cooperative strategy is the key to reducing unemployment and strengthening economic and social cohesion. Economic and social cohesion — the fundamental objective of the Single European Act — is not simply a question of reshaping instruments. It also hinges on coordination of the Member States' economic politics and requires that account be taken of the impact of all Community policies. As part of the cooperative growth strategy, the Community's structural policies must make that strategy more effective by facilitating optimum allocation of resources, helping to narrow the gap between regions and reducing the backwardness of the least-developed regions.

31. The five objectives of the Community's reformed structural and financial instruments will be to achieve growth and adjustment in structurally backward regions, to convert declin-

ing industrial regions by helping them to develop new activities, to combat long-term unemployment, to place young people in jobs, to speed up the adjustment of agricultural production structures and to promote rural development. Concentration on a handful of objectives will be matched by a new approach based on genuine planning, improved coordination of assistance and the simplification of procedures. Designed to supplement national measures, Community action through these instruments will have to be organized in close consultation between the Commission and the competent national authorities. Preparation, implementation and adjustment of assistance measures will rest on real partnership that will provide the requisite framework for choosing the most appropriate forms of financing. With part-financing concentrating largely on operational programmes, Community assistance will be targeted at consistent sets of multiannual measures. Rates of Community assistance will be varied in line with such factors as the severity of the problems and the Community interest of the measures, and an effort will also be made to combine loans and grants so as to maximize the inducement effect of Community assistance. If more than one instrument is involved in a particular measure, an integrated approach will be adopted. As far as structurally backward and declining industrial regions are concerned, the regional development and conversion plans submitted by the Member States must enable structural assistance to dovetail into the Community support framework and make it possible to concentrate on priority fields. In the case of measures to assist the long-term unemployed and place young people in jobs, the starting-point will be the overall guidelines laid down for the management of the European Social Fund and Community assistance will be given special weight in the operational programmes. Where measures to assist agricultural structures and rural development are concerned, the partnership to be introduced between the Commission and the Member States will make it possible to identify the plans most suitable for Community action, allowance being made for the close links between market policy and agricultural structures policy. Lastly, a five-year projection of the appropriations required by the three structural Funds will be presented every year, together with an indicative breakdown of commitment appropriations by objective.

It is essential that the Heads of State or Government, when they meet in Brussels next month, remove the obstacles still standing in the way of the proposals for overall Community reform. For the most part, these proposals were explicitly approved by the European Council in

June 1987 and were supported throughout last year, increasingly so after Copenhagen, by representative organizations in Europe. Their adoption this year will make it possible to do the groundwork, so that the following period, 1989-91, rounds off the achievements of 1985-88, establishing credible equilibrium within the Community of Twelve.

Once the framework regulation reforming all the structural Funds has been adopted, that is to say, by the end-March deadline set by the European Council last June, the Commission will send proposals to the Council and Parliament for specific implementing rules and a legal instrument, also required by the Single European Act, with a view to coordinating (a) assistance provided by the structural Funds themselves and (b) their assistance with that from the other financial instruments. In particular, statistical reference indicators will be established for the specific objectives of the structural Funds. A communication will be drawn up on the roles of the EIB and the other lending instruments so that they can be included in the reform of structural activity. Optimum links must be established between loans and grants by varying the rates of Community assistance.

This second package of rules will have to be adopted very quickly.

## Regional development

32. In continuing the work on the new framework of rules to be established, the Commission will, over the coming months, maintain the approach followed in 1987 with an eye to reform of the European Regional Development Fund. The STAR and Valoren Community programmes, which establish a direct link between the objectives of energy and telecommunications policy and development of the less-favoured regions, will take off in 1988, while the Resider and Renaval programmes will underpin the industrial conversion effort in regions affected by restructuring of the steel and shipbuilding industries. At the beginning of the year, the Commission will put forward two further proposals for Community programmes announced in 1987. One (Stride) will establish closer links between the objectives of regional policy and technological R&D policy. The other (Envireg) will help less-favoured regions to achieve Community environment objectives as they push ahead with socio-economic development. The Commission considers that these provide two specific examples of the new momentum which Community action must develop to achieve

greater consistency between the framing of priority policies and the equilibrium which must be maintained within the integrated area.

Greater reliance on programmes will also be reflected in 1988 in increased work on the preparation and monitoring of national programmes of Community interest. And, as an even more specific contribution to increased economic and social cohesion, the build-up of integrated Mediterranean programmes, already well advanced in 1987, will be completed this year: with the adoption of the remaining 14 Italian programmes, all the 31 IMPs planned for France, Greece and Italy will reach the implementation made by the middle of the year. Also in 1988, discussions will be held on the form that the second phase of the French IMPs should take. The preparation and monitoring of integrated development operations will continue. Pilot schemes will be implemented where this type of operation is appropriate (promotion of risk capital, protection of the ecosystem, etc.).

The Commission will step up its efforts to make ERDF project assistance more efficient, in particular by seeking to improve cost-benefit analysis, selecting projects of particular Community interest and sounding out the Member States on major projects which could qualify for assistance.

The coordination of the orientation and priorities of the Community regional policy, national regional policies and specific Community policies has great importance in supporting the work of cohesion in a coherent macroeconomic framework.

Accordingly, within the framework of Commission activities and its multiannual programme of regional studies, emphasis will be placed on development strategies aimed at convergence and cohesion. As regards the regional impact of common policies, particular attention will be paid to an analysis of the effects of the internal market (especially in the areas of public procurement and financial services), the common agricultural policy and competition policy. The Commission will also formulate opinions this year on Member States' third-generation regional development programmes (1986-90).

## Rural development

33. Reform of the common agricultural policy as envisaged by the Commission is by no means confined to action to restore balance on the markets and comply with budgetary discipline. At least as important are efforts to diversify

support to farmers, in particular through direct income aids, and aid to structural change to avoid serious economic and social disruption and maintain farming and other economic activities in areas threatened by the disappearance of family farms.

This concern to avoid serious economic and social disruption and maintain a European rural development model, based on support for the family farm and balanced development of rural areas, is crucial. In less-favoured regions, often the least urbanized, this objective links up with efforts to stimulate regional economic development in general. Similarly, the Commission has frequently emphasized the need to preserve the European countryside because of the environmental protection aspects and the constructive role which farmers can play in this context.

The rural challenge which the Community now has to meet goes far beyond purely agricultural considerations. The rural way of life is part and parcel of the Community's heritage, and the social role it plays is fundamental. Reform of the structural Funds, notably the EAGGF Guidance Section, should make it possible to expand current Community schemes and improve the way they inter-relate, thereby enhancing the effectiveness of structural policy in the context of rural development. The Commission plans to submit a report with proposals by the end of June on the future of the countryside, including aspects previously neglected at Community level.

## **Social dialogue**

34. Stronger growth calls for a more active approach to economic policies and attitudes: all those involved in economic life must make a contribution to speed up the reform begun in 1986 and 1987. The dialogue between the two sides of industry is an essential factor in promoting acceptance of the constraints and requirements imposed by the Community's cooperative strategy. It is another vital link in achieving economic and social cohesion in the Community.

The joint opinions adopted by the two sides of industry on the Community strategy in the autumn of 1986 and in December 1987, and on training, motivation, consultation and information of workers in the spring of 1987, show how valuable the social dialogue is in securing a common approach to economic and social problems. In this context, it is interesting to note that the two sides of industry approached the

European Council in May and November 1987 to express concern at economic developments and to stress the urgent need for a solution to budget problems. The Commission will spare no effort in 1988 to guide the two sides of industry towards true social negotiations, with more tangible progress in the control and management of the qualitative and social adjustments made necessary by the process of change.

Flexibility within firms and adaptability in relation to the introduction of new technology will be an essential theme of future work. The Commission appreciates that this is a particularly sensitive area in terms of the motivation that is pivotal to the production process. In 1988 the Commission will pursue its efforts to extend the dialogue already underway to problems directly related to the changes taking place in firms as a result of the introduction of new technologies and structural alterations, notably as regards the flexibility and adaptability of firms in identifying the arrangements best suited to new production methods and most likely to promote employment.

The Commission intends to encourage dialogue at all levels, notably sectoral level.

The Commission will also assess the results of the social dialogue begun at Val Duchesse in 1985 and give some thought to the new aims it should be set so that the dialogue can contribute in full to development of the social dimension of the large market.

At the same time, the dialogue should continue at macroeconomic level — concentrating on the economic guidelines for 1988, investment promotion, financial engineering, major investments — and at sectoral level. The Commission will contribute as in the past.

## **Campaign against long-term unemployment**

35. It is true that in recent years, measures such as reductions in working time, the growth of part-time work, the restraints on real wage increases and new forms of work organization have led to the creation of many jobs. But with growth slowing down, there will be no reduction in the unemployment rate.

What is worse, long-term unemployment has now reached intolerable proportions: more than one in two unemployed persons are affected. Even more worrying is the fact that those chiefly affected are young: five to six million are Europeans under the age of 25. Although



completion of the internal market will undoubtedly stimulate growth considerably by making production more profitable and supplying the means of meeting additional internal and external demand, it will not be enough to give job creation the strong impetus it needs. If long-term unemployment is to be combated, efforts to stimulate growth must be accompanied by wide-ranging action, through the European Social Fund.

In this crucial area, the Commission intends to build on the guidelines it drew up last year, presenting an action programme to promote reintegration of the long-term unemployed and contain the increase in numbers by means of suitable preventive measures to back national programmes converging on selected objectives.

## Social policy

36. At the same time the Community's social policy must continue to be implemented in full in 1988, helping to define certain aspects of the social dimension of the large market and building on the achievements of the social dialogue.

As regards health, safety and hygiene at work, the programme adopted and launched by the Commission in the summer of 1986 will be bearing fruit shortly. In the light of recent Council guidelines, the Commission also intends to progress as quickly as possible along the path opened up by the new Article 118A introduced by the Single European Act. It will present proposals to provide increased protection for workers, bearing not only on the key area covered by its recent proposal on the safety of machinery and specific fields such as radiation-protection, but also on the organization of safety and the use of personal protective equipment. Other proposals will set out to define general frameworks for health and safety measures, modelled on the recent proposal for a general directive on increased protection against carcinogenic agents.

This year will also see an intensifying of the Commission's initiative in the key area of vocational training. Following the Council decision at the end of 1987, the 1988-92 action programme for the vocational training of young people and their preparation for adult life will be launched. Proposed by the Commission in 1986 at the invitation of the Milan European Council, this programme should provide the impetus the Community needs to add to national efforts to foster the spirit of enterprise. On

investment in training by firms, the Commission will be proposing a Community action programme for 1989-91 covering the continuing in-service training of employees in line with the January 1987 communication. During the year the Commission will pursue the efforts deployed in previous years in the field of comparability of vocational qualifications by concluding work — already well advanced — on the catering industry and pressing ahead in a number of other sectors (construction, motor vehicle industry, etc.). Cooperation between the universities and industry will be given high priority in 1988. Given the success of the first year of implementation of the Comett programme for training in technologies (116 training partnerships, 1 067 transnational placements, 73 transnational fellowships), the Commission will propose that this initiative be extended beyond 1989 (Comett II).

Turning to the field of free movement of workers, the Commission will address the difficult question of improving the social security conditions of migrant workers by finalizing suitable legislative measures on pensions and family allowances. With the ultimate aim of creating the conditions necessary for more satisfactory integration of immigrant communities in the host country, the Commission will propose a revision of existing instruments with an eye to completion of the internal market.

In the Commission's view guaranteeing each and every Community national the widest possible freedom of movement for purposes of taking up employment means that action must be taken on the public service. This is particularly necessary at a time when the Community is implementing ambitious programmes on the mobility of students and research workers, such as Erasmus and Science, and made all the more imperative by the imminent introduction of general recognition of higher education diplomas. In 1988 the Commission intends to specify the way it would like to see Article 48 of the EEC Treaty applied to public service posts which are sufficiently removed from the area of policy-making to warrant equal treatment in the near future (commercial services, operational public health services, teaching and research for non-military purposes).

On living and working conditions, the analyses and studies conducted last year will be pursued at economic, legal and social level. Family policy will also come under scrutiny. Certain aspects of the ageing process and the problems of the elderly will be examined too.

The Commission will also keep a watchful eye on the important area of equal treatment and

equal opportunities for women. It will see to it that the Member States implement its November 1987 recommendation on an active policy of involving women in vocational training and promotion operations. It will subsequently draw up reports assessing commitments given in various fields. It will also take new initiatives under its medium-term 1986-90 programme, in particular as regards reversing the burden of proof.

## Financial engineering

37. Financial engineering is a tool to be used in pursuit of the Community's priority objectives. It can contribute to the achievement of economic and social cohesion, modernization of the enterprise system and financial integration of markets.

The Commission considers that financial engineering offers great promise as a policy, and it intends to press ahead on all fronts with the action undertaken following its 1986 outline communication, in accordance with the approach it adopted following the progress report in December 1987. In 1988 large-scale infrastructures of European interest, small businesses, high-technology projects and the reform of the structural Funds will be the main areas in which the Commission will be seeking to promote the emergence of new instruments and mechanisms, alongside intensified use of the financial instruments which mobilize funds directly (ECSC loans for the financing of large-scale European infrastructure projects such as the fixed cross-Channel link and the high-speed rail network, low-interest loans for the redeployment of surplus labour in the steel industries, loans for the restructuring of declining industries, interest subsidies for coal production, Euratom loans, etc.).

Financial engineering will also have a specific role to play in the context of the new methods being introduced as part of the reform of structural assistance. As an acknowledged component in the projected coordination between the Funds and the other financial instruments, financial engineering will help to achieve better use of the resources at the Community's disposal. These techniques will be deployed this year for the purposes of the integrated Mediterranean programmes and the integrated development operations. And a striking illustration of the role of financial engineering in the new context of Community structural assistance will be provided by the specific programme for the development of Portuguese industry (Pedip), in which the loans/grant mix and the use of

financial engineering techniques will be coupled systematically. In the first quarter of the year the Commission will also be presenting proposals aimed at facilitating the financing of high-technology projects and of small businesses.

## Transport infrastructure

38. Infrastructure projects designed to eliminate physical frontiers in inland transport within the Community remain an urgent priority. This year the Commission will continue its efforts to secure approval of the medium-term programme of transport infrastructure projects of Community interest proposed in 1986. This would enable the Community to combine its role as a catalyst in this sector with the various instruments at its disposal to promote integration, create outlets, stimulate demand and guarantee the industry's ability to compete. In December the Council gave the Commission the go-ahead to use the budget allocations provided for 1986 and 1987. The Commission attaches great importance to developments in this sector, not only with a view to large-scale projects such as the fixed cross-Channel link or the European high-speed rail network, but also to the establishment and development of major road, rail, inland waterway and combined transport links. The Commission will continue its initiatives in this sector and seek to promote cooperation between Member States with a view to creating a true Community transport network.

## Small business

39. In the forefront of the economic process, business in Europe must play a leading part in completing the internal market. In 1988 the Commission plans to expand measures to assist small businesses introduced two years ago at the Council's request. Continuing the current programme, the Commission will pursue its activities in two main directions, namely by further improving the business environment and by expanding services to enable businesses to adjust more easily to the internal market.

The 1992 deadline is already affecting business strategy. Greater competitiveness will depend on securing an environment that encourages adjustment and change. Excessive constraints, ponderous legislative processes, obscure rules and entrenched habits still head the obstacles on which the Commission plans to take urgent action in 1988 to encourage the emerging signs of renewal (impact assessment, new legislation

on accounting, taxation, legal requirements, financial reports, etc). The Commission will also be working actively to encourage greater transnational cooperation, mainly through the new legal instrument provided by the European Economic Interest Grouping. The regulation establishing the EEIG should become law in July.

Many specific measures to encourage a better climate for European business will bear fruit this year thanks to work done in 1987. Preparations for opening 39 Euro info centres throughout Europe are nearing completion. This is the first dedicated network for communication between businesses and the Community and a report on the pilot phase will be drawn up in 1988. After assessing the first stage of this major initiative the Commission will be able to propose the early launching of the main phase of the Euro info centre project. BC-Net will also be inaugurated and tested early in 1988. Its purpose is to promote transnational and inter-regional cooperation. This year the Commission also intends to look into the possibility of promoting regional development through transnational cooperation between small businesses: Europartnership 1988 will see the introduction of a pilot project in Ireland involving cooperation agreements between businesses in an underdeveloped region and businesses in other Community regions. In addition to the support available to small businesses under the ERDF to promote the development of indigenous potential, the activities of the business and innovation centres and the associated network will be expanded in 1988. Around 40 of these are already in existence or in the process of being set up Community-wide with a view to establishing or expanding small businesses in the production and industrial services sectors. Turning to the new instruments promoted by financial engineering, the Commission will keep up the pace of work set last year on start-up capital, junior securities markets, the financing of cooperatives, etc.

## **Research and technological development**

40. The research and technological development campaign, a key factor in the creation of a modern, integrated market and of strategic importance for the Community's industrial and commercial system, must continue to play a leading role. In this vital area the Commission has adopted two main priorities for 1988: the balanced and rapid implementation of the

framework programme (1987-91), adopted last autumn after much delay, and the launching of a number of initiatives designed, in conjunction with the framework programme, to speed up the establishment of a genuine European Research and Technology Community, an essential feature of the large market.

To put the new R&TD framework programme into effect, proposals for new specific programmes will be prepared and presented, the many proposals approved by the Commission in the last quarter of 1987 will be followed up and the corresponding programmes will be launched. To give a clear picture of the progress made, the Commission will publish a communication on the status of the framework programme early in the year. It will also consider the possibility of implementing supplementary programmes, as provided in the new Article 130 L introduced by the Single European Act.

This year will also see the launching of the new medical research programme focusing on two major issues, AIDS and cancer, and the preparation of a proposal for a programme on predictive medicine. The activities prompted by the Chernobyl accident that were included in the revision of the radiation protection programme will also get off the ground and a proposal for a new environmental research programme will be prepared.

In the field of information technology and telecommunications, the second phase of Esprit and the main phase of RACE will further strengthen the technological base of the electronics and computer industries in 1988 and help to establish an advanced infrastructure capable of meeting the increased demand for new services from users, notably industrial users, under satisfactory economic conditions. The establishment of a large telecommunications market is a key factor in the progress towards completion of the internal market: the Commission plans a big step forward not only here, following the lines set out in the Green Paper published last June, but also in the development of a policy for the establishment of an information services market as proposed in a communication last July. This will be accompanied by specific projects to standardize and promote new data-communication services such as electronic mail (Tedis) and to improve information interchange between national and Community departments (Insis, Caddia).

In the key area of telecommunications, the RACE programme will include a number of projects crucial to strategies for the development and implementation of IBC (integrated broad-

band communications), involving the drawing up of design and operating specifications for equipment and services that offer all the necessary facilities for compatible working. Other aims will be to ensure that the essential broadband network technologies are available and to carry out demonstration projects in advance of the entry into force of standards.

To strengthen the communications infrastructure, the Commission will develop the ideas set out in its Green Paper, It will put forward specific proposals for the development of a common market in telecommunications services and equipment relating to public procurement, the mutual recognition of type approval, and the setting up of a European telecommunications standards institute.

At the same time work should get under way in several advanced technology areas in which initiatives were taken last year, such as computer-aided remote learning (Delta), road safety (Drive) and medical computing (AIM). The Commission will also continue to seek rapid implementation of the Systran machine translation system in the Community's institutions and will take its studies on the subject a step further.

Anxious to promote the transfer and dissemination of innovation and industrial and commercial follow-through, the Commission will continue its work on proposals to expand the activities under way in the Sprint programme.

This will also be an important year for industrial technologies since the Commission will be putting forward proposals for a new Brite programme (new technologies in manufacturing industry), a new Euram programme (new materials), a new programme of raw materials research and a new Community Bureau of References programme in the field of metrology and chemical analyses. This last has a bearing on technical standardization, a crucial element in completion of the internal market.

The exploitation of biological resources will also be given priority in the months ahead. The Commission will launch the revised biotechnology research programme and will follow up its recent proposal for a programme of biotechnology-based agro-industrial research. Located as it is at the interface of agriculture and industry, the Eclair programme will play a vital role in increasing economic competitiveness in the long term by contributing to a better match between industry and agriculture as regards production and needs. As far as energy is concerned, this year will see the preparation and submission of new programmes on non-nuclear energy and the

decommissioning of nuclear facilities. A new decision on the controlled thermonuclear fusion research programme should also be taken. The Community, which occupies an unequalled position in this field, is committed to several international cooperation projects. At the end of 1987 the Commission presented a communication on the Community's participation in the international experimental reactor project ITER in collaboration with the USA, Japan and the Soviet Union.

In the area of marine resources 1988 should see the launching of a new fisheries research programme and completion of preparatory work on a research programme on marine science and technology. The second programme on science and technology for development covering agriculture and tropical medicine, of vital importance to the developing world, is due to start this year. It will also be an important year for agricultural research. The five-year programme 1985-88 is coming to an end and the Commission will be preparing a new research programme for 1989-93.

In the area of European scientific and technical cooperation, the Commission intends 1988 to be a year of transition before the launching in 1989 of a new FAST forecasting programme. During the year the support plan for large-scale scientific facilities of interest to Europe and the Science plan which extends the interdisciplinary stimulation activities will be launched.

The Joint Research Centre will be undergoing extensive reorganization in 1988. The proposal for reform of the JRC put forward last autumn is designed to gear the Centre's activities to the Community's current requirements and to improve its operation by giving it new impetus: the distribution of the activities of the Centre over the nine research institutes, more industrially-oriented research (including research relevant to completion of the internal market), more flexible management, more responsibility for the scientific units in a significant proportion of its activities and greater mobility to and from the Centre for research scientists. In accordance with the guidelines laid down by the Council in December, the Commission will endeavour to expedite examination and adoption of this proposal which must be given high priority to enable the JRC programme to get off to a fresh start.

In conjunction with the 1987-91 framework programme, the Commission also intends to speed up the construction of the European Research and Technology Community. This major objective is linked to the coordination of national

policies and programmes required by the Single European Act. In the course of the year the Commission will send the Council and Parliament a communication on the steps it intends to take to promote such coordination. The Commission is well aware of the need for the most objective and up-to-date information possible as a basis for future action. To provide researchers and decision-makers in the Community with the background information they need, the Commission will at the end of the year publish a critical and forward-looking report on the current situation of research and technological development in Europe. In addition, to enable the Community institutions to benefit from the independent views of the European scientific community at all stages in the implementation of the Community research and technological development policy, the Commission will consider how best that community can be officially involved.

Finally, the cooperation and the striving after synergism already commenced under the Eureka programme will be continued with the countries participating in this vast range of activities in sectors affording the most effective interaction with Community measures. The Commission plans to present a communication on the establishment of a European computer network to make use of the results of all the national government-funded R&D in the Community. The aim will be to obtain the maximum advantage from the initiative taken under Esprit (ROSE project) and Eureka (Cosine project).

## Environment

41. A healthy environment is a *sine qua non* for maintaining and improving the quality of life. The first three months of 1988 will mark the end of the European Year of the Environment, the culmination of a long, successful campaign to increase public awareness of environmental issues. The momentum built up, coinciding with the first full year of application of the Single European Act, will enable the Community's environment policy to make full use of the greater authority conferred by its conclusion in the Treaty. The Commission will capitalize on these assets in 1988 to scale up the work on all the priorities set in the fourth five-year action programme.

The Commission will focus not only on refining the rules for individual sectors, but also on effective implementation of the measures adopted in the past. The Commission feels that greater attention will have to be paid to full application

of existing Community Directives and Regulations, i.e. not only to their incorporation into national law but also to their practical enforcement in the field. As requested by the Council in the autumn, the Commission will systematically appraise the practical results of the action taken in the past.

This year the Commission is planning to tackle the five major issues given priority in the latest action programme.

On air pollution, the Commission hopes that after consolidating the progress made last December on reducing emissions from cars, the Council will finally adopt the 1983 proposal on large combustion plants. The Commission is confident that the proposal will finally get through this year: it is of central importance not only for combating air pollution and for environment policy as a whole but also for economic and social cohesion and industrial competitiveness. A new directive will also be proposed to reduce air pollution from municipal waste incineration plants; and appropriate measures will be proposed to implement the Montreal Protocol on the Protection of the Ozone Layer.

On water pollution, the conclusions reached at the second conference on the North Sea, held in London in November, imply that the Council should urgently adopt the Commission's past proposals, particularly on dumping at sea. At the same time the Commission will implement its programme to control pollution by spillages of oil and other harmful substances at sea and will send Parliament and the Council its first report on the Community information system now in operation.

Repeatedly, notably in the 1985 Green Paper, the Commission has stressed the need for agricultural policy to have a care for the environment. The fourth (1987-92) action programme stresses that action is urgently needed on the use of agro-chemicals, treatment of agricultural wastes and conservation of species, habitats and landscapes. The Commission will vigorously continue its action in this field in 1988. For example, it has almost completed drafting a proposal for a directive laying down new standards against pollution of groundwater by nitrates and new measures to adapt existing legislation to new or newly understood aspects of the problem. In addition, the Commission intends to present a new action programme identifying other priorities connected with agriculture and the environment.

On waste too, the Commission is aiming at considerable progress in 1988. Substantial amendments will be proposed to the existing

directives on the management of hazardous wastes. And a proposal will be made for the Community to participate in the OECD agreement on transfrontier movements of hazardous wastes. The work done in 1987 will enable the Commission to table two further proposals for directives, one on the use of cadmium batteries, the other on the use of PCBs.

On chemicals, the finishing touches will be put to the amendments to bring the 'Seveso' Directive into line with the new needs highlighted by the Sandoz accident. The two proposals on biotechnology almost finalized last year will be presented.

The Commission will report on the feasibility of amending the present rules to reduce the number of animals used in experiments, particularly in experiments to satisfy the Community rules on product testing. It will put forward a proposal for the Community to accede to the Council of Europe Convention governing this field. In addition, entry into force of the Single European Act is giving fresh impetus to the nature conservation campaign. By the end of the year the Commission will propose a new Community instrument to give greater protection to the environment in the Mediterranean region.

Greater access to information on the environment remains the key to boosting the impact of this policy. Accordingly, the Commission will report to Parliament and the Council on the measures taken to implement the Corine programme on the collection of statistics on the state of the environment and put up proposals for further progress in this area.

## Consumer protection

42. Development of the internal market in line with consumer interests continues to be one of the Commission's main aims. Particular attention will be paid to increasing consumer involvement in efforts to adapt goods and services to

consumer requirements. Health and safety issues are vital here and the Commission will be presenting a proposal for a general directive in this field. It also intends to launch an information campaign on child safety in 1988.

The Commission will continue its efforts to integrate consumer interests into other Community policies and to improve consumer education and information.

On consumers' economic interests, the Commission will put forward proposals for directives on package holidays, consumer credit and electronic payment, which will facilitate the harmonization of major sectors of the internal market.

The Commission will pursue its pilot schemes in the area of improved access for consumers to the courts and will work for adequate consumer protection by drawing up a proposal for a directive on unfair clauses.

## Combating fraud

43. Anti-fraud measures, a key element in monitoring the operation of Community policies in general, will be stepped up appreciably in 1988. This enhancement of the Commission's powers of control appears particularly necessary at a time when strict discipline is being imposed, since it is then that the temptation is strongest to evade the recommended reform measures which will increase steadily in number.

Concerted action will take two forms: anti-fraud teams will be created in all the administering departments concerned and a central coordinating unit will be set up to organize and monitor inspections and participate directly in specific controls and inquiries. These organizational arrangements will be backed by the necessary infrastructure (specialists, data-processing) and legal instruments. The Commission will then be in a position to present a report evaluating the fraud situation each year.

### Economic and social cohesion

#### *Cooperation and growth*

- Effective application of the cooperative growth strategy at Community and local level
- Report on implementation of the 'growth and employment' action programme (1986 resolution)
- Improved coordination of macroeconomic policies

- Introduction of a system of indicators as a contribution to surveillance within the EMS
- Reports on the economic situation in March and July
- Consideration of the possibility of updating the 1974 convergence decision
- Studies on the institutional phase of the EMS
- Strengthening the EMS by increasing the use of the ECU: through a major bond issue

### *Structural instruments*

- Entry into force of the framework regulation on Fund reform to strengthen structural support for convergence
- \* Proposals for regulation(s) reforming operation of the European Regional Development Fund, the European Social Fund and the EAGGF Guidance Section
- \* Proposal for a regulation coordinating assistance provided by the Funds and their assistance with that from other financial instruments
- Definition of the role of the European Investment Bank and the other lending instruments in the context of reform
- Amendment of Regulation No 815/84 concerning exceptional financial support for Greece in the social sector
- Analysis of the regional impact of common policies and the large market
- Opinion on Member States' third-generation regional development programmes (1986-90).
- Launching of Community regional development programmes (Stride, Envireg, Resider, Renaval)
- Implementation of national programmes of Community interest
- Action to promote the development of indigenous potential and small businesses (business and innovation centres, Europartnership, pilot scheme for Portugal, Article 56 ECSC)
- Search for more effective project assistance
- Implementation of 31 integrated Mediterranean programmes in Greece, Italy and France.
- Implementation of integrated development operations
- 13th report on the European Regional Development Fund
- Report with proposals on the future of the countryside

### *Social dialogue*

- Development of dialogue on the macroeconomic aspects of the annual economic report, investment promotion, financial engineering and major investments
- Development of dialogue on the microeconomic aspects of labour market adaptability
- Development and intensification of efforts to increase the involvement of both sides of industry in economic and social policy at sectoral level
- Final report on the 'development of the employment market' programme incorporating an assessment of pilot projects on forward management of the labour market at regional and local level (1986 resolution)
- Development of initiatives aimed at the adaptation of firms to the employment situation

### ***Fight against unemployment***

- Action programme for the long-term unemployed
- European Social Fund intervention to combat long-term unemployment and to promote the occupational integration of young people

### ***Health, safety and hygiene***

- \* Proposal for a directive on the organization of health and safety at work
- \* Proposal for a directive on minimum requirements in relation to health and safety at work and the utilization of machines, tools, products, etc., by workers
- Compilation of a European list of occupational diseases
- \* Proposals for directives defining a general framework for action on the health of workers
- \* Proposal for a directive harmonizing ship-board medical supplies and equipment
- Creation of a Community system for rapid exchange of information on health, safety and hygiene
- Initiatives to improve the organization of occupational health services

### ***Freedom of movement***

- Proposal for a regulation on social security for migrant workers (family allowances, pensions and general updating of Regulation No 1408/71 and Regulation No 564/72)
- \* Proposal to eliminate the remaining obstacles to freedom of movement
- Measures on the coordination of policies on migration
- Communication on equal treatment in relation to access to certain public service posts

### ***Vocational training***

- Action programme 1988-92 on continuing in-service training for employees
- Launching of the 1988-92 action programme on the vocational training of young people and their preparation for adult life
- Identification of activities in relation to employment and vocational training to be included in the guidelines for the European Social Fund for the period 1989-91
- Report on implementation of the Comett programme and proposal for an extension (Comett II)
- Final report on implementation of 30 pilot projects to ease transition from school to the world of work (1982 resolution)
- Second report on implementation of the 1977 Directive on education of the children of migrant workers
- Report on the introduction of new technologies in education (1983 resolution)
- Communication incorporating a proposal for a decision on the development of teaching and school exchanges



### ***Specific actions***

- Communication on ageing and the elderly
- Analysis of national policies on the family
- Continuation of the fight against poverty
- Assessment report on implementation of the 1984 mandate on positive action for women
- Communication on action to help migrant women
- Proposal for a directive reversing the burden of proof
- Assessment of action on female unemployment (1984 resolution)
- Measures to improve the breakdown of responsibilities between men and women in the home and at work (crèches, infrastructures)
- Continuation of the first programme on social integration of the handicapped to be replaced by April 1988 by the second four-year programme (1987-90) on the social and economic integration of the handicapped
- Continuation of the fight against xenophobia; presentation of a proposal on the integration of immigrant communities

### ***Financial engineering***

- Continued promotion of new instruments and mechanisms for financing large transport infrastructure projects, small business and technological development; presentation of communications

### ***Infrastructures***

- Communication on a medium-term programme for transport infrastructures of Community interest, including the creation of a high-speed rail network

### ***Small business***

- Communication on business policy and the Community's role in this context
- \* Measures to create a favourable legal environment for small businesses (simplification of accounting requirements (entailing amendment of the fourth and seventh Directives), more favourable tax treatment, improved access to public contracts); introduction of identity papers for small businesses operating across frontiers on a regular basis; proposal for a directive coordinating legal requirements for the creation of one-man businesses; appointment of a consultative committee on the business environment with a mandate to work towards the simplification of legislation applicable to small businesses; report on the impact note system
- Reports on the economic environment of small businesses (economic rationale, public policy, export incentives)
- Progress report on the creation of a small business data base
- Development of existing activities to support small businesses (promotion of the entrepreneurial spirit, provision of specialized information (main phase of the Euro info centre project), development of partnerships, development of transnational and inter-regional cooperation (Euro-partnership 1988), continued efforts to exploit the potential for internally-generated development of the regions and to modernize and develop small business (co-financing, loans and CEI grants), encouragement of transnational subcontracting, financial engineering initiatives (start-up capital, venture consort, coordination of junior stock exchanges), help for small high-technology businesses. Pursuit of financing activities under the direct instruments (ECSC and Euratom borrowing and lending)

## **Research and technological development**

### *Continued implementation of the framework programme (1987-91)*

- Progress report on the implementation of the framework programme (1987-91)
- Implementation of new programme for the Joint Research Centre

### *Quality of life*

- \* Proposals for new programmes on research in preventive medicine and on the environment (both 1989-92)
- Implementation of the revised radiation protection programme

### *Information technology, telecommunications, innovation*

- Implementation of RACE, Esprit II, AIM, Delta and Drive programmes
- \* Proposal for a programme on the dissemination and exploitation of R&D results (establishment of a computer network to make use of the results of all public R&D in the Member States and create an infrastructure of computer networks to promote collaboration and communication between research centres)
- \* Proposal for a decision to extend the third phase of the Eurotra programme
- \* Preparation of a research programme on new transport technologies

### *Biological resources*

- Implementation of the revised biotechnology programme
- Launching of the Eclair programme for the application of biotechnology to the agro-industry
- \* Proposal for a multiannual agricultural research programme (1989-93)

### *Industrial technologies*

- \* Proposals on new Brite, Euram and raw materials programmes (all 1989-92)
- Launching of the CBR programme (1988-91)

### *Energy*

- Implementation of the revised fusion programme
- Strengthening of international cooperation in controlled thermonuclear fusion research (ITER)
- \* Proposals on new research programmes on non-nuclear energy, the decommissioning of nuclear facilities and marine science and technologies (all 1989-92)

### *Marine resources*

- \* Proposal for a marine science and technology programme (1989-92)

### *Research workers' Europe*

- Implementation of the Science programme, the revised plan on large-scale scientific facilities and the new FAST programme

### *Science- and technology-related activities not included in the framework programme*

- Presentation of an analysis and forecast of research and technological development in Europe
- Proposal on the coordination of national R&TD policies (Article 130 introduced by the Single European Act)
- Examination of the possibility of implementing supplementary programmes (Article 130 introduced by the Single European Act)
- Communication reporting on progress in the field of telecommunications
- Communication on the implementation of the Green Paper on the development of the common telecommunications market
- Communication concerning information and cooperation on local, regional and national broadband networks
- \* Proposal for a directive on the mutual recognition of type approval for terminal equipment
- Communication on the results and development of the Insis programme
- \* Proposal for a regulation on the main phase of Sprint
- Preparation of a programme for the application of innovations in information technologies to libraries in the Community
- Establishment of a European scientific assembly

### *Eureka*

- Continued cooperation in sectors affording the most effective interaction with Community measures

### **Environment**

- Continuation and implementation of the fourth (1987-92) action programme

### *Air*

- Implementation of the Montreal Protocol on the protection of the Ozone Layer
- Measures to reduce pollution from municipal waste incinerators
- Participation in the protocol to the Helsinki Convention on NO<sub>x</sub>

### ***Water***

- Measures to reduce pollution by nitrates
- Report on the information system to combat pollution at sea

### ***Waste***

- \* Proposal for a directive on the use and disposal of batteries containing mercury and cadmium
- \* Amendment of Directives 75/422 and 78/319 on toxic and dangerous waste and Directive 76/403 on the disposal of PCBs
- Participation by the Community in the OECD agreement on transfrontier movements of hazardous wastes

### ***Chemicals***

- \* Amended proposal for a directive on phytopharmaceuticals
- Second amendment to the 'Seveso' Directive (on industrial accident hazards)
- \* Proposal for a directive governing deliberate or accidental use of organisms produced by biotechnology
- Proposal for a directive to protect the population against potential risks from the application of biotechnology (industrial confinement)
- Proposal for the systematic assessment of existing chemicals

### ***Noise***

- Amendment of the Directive on aircraft noise

### ***Nature conservation***

- Measures to give greater protection to wildlife and habitat
- Revision of existing rules on trade in endangered species
- Proposal to reduce the number of animals used in experiments
- Report on the Directive on seal pups

### ***Information***

- Easier access to information on the state of the environment
- Report on the Corine programme

### ***Training***

- Safety improvements and softening of the environmental impact of lorries carrying hazardous goods
- New programme to control exposure to radon (a naturally occurring radioactive gas) in the home

## **Consumer protection**

- \* Proposal on product safety
- \* Proposal to amend the Directive on cosmetic products
- \* Proposal for a directive on consumer credit interest rates
- \* Proposal for a directive on package tours

## IV — The other common policies

### Agriculture

44. Three main aspects of the common agricultural policy will be well to the fore in 1988: the drive to reform the policy will be continued and consolidated, measures to reform the structural Funds, including those to adapt the EAGGF Guidance Section, will be activated, and work related to gradual completion of the large frontier-free market will be pursued.

Reform of the common agricultural policy involves a coherent group of measures to bring production under control, restore balance to the markets and hold the growth of agricultural expenditure within reasonable limits; to diversify support to farmers, notably through direct income aids; to facilitate structural adaptation of the sector, and to promote rural development. Since all these measures have to fit into a framework of tighter budgetary discipline, the Commission submitted a vital set of proposals last year: introduction of a Community income aid scheme, creation of a framework for national income aid schemes for 'social-problem' farms, provision of incentives to farmers over 54 to leave the land, extension of agricultural budgetary stabilizers to most market organizations and the reinforcement of existing stabilizers.

Once they are adopted by the Council, these proposals, combined with other measures for market reorganization, diversification of support, and accompanying socio-structural improvement, will constitute the core of efforts to reform agriculture and help it adapt to the internal and external constraints imposed by developments over the last 10 years. As far as the external aspects of reform are concerned, the Community submitted proposals to the Uruguay Round last year with a view to improving the short-term operation of world agricultural markets and to restoring order, in the longer term, to the world agricultural system as a whole, thanks to a general reduction in government support. In the course of the multilateral negotiations, the Commission will insist that the Community's partners acknowledge and make allowance for the efforts the Community has been making since 1984 or is planning for the future to reorganize its own agricultural industry.

Within the Community, special attention will be paid to technical finalization of agricultural stabilizers and their application in the light of

actual market developments. The Commission will be at pains to ensure that markets are managed with the necessary rigour. It will also see to it that a framework is provided for State aids, that they are properly monitored, and that fraud is prevented or prosecuted. To forestall or ward off any slippage towards renationalization of the common policy, the Commission, as in the past, will keep a watchful eye on action being taken by the Member States and work out new reference frameworks with a view to improving transparency and defining clear limits to national intervention.

Under the agricultural structures policy, the Council adopted a number of socio-structural measures last June designed to facilitate adaptation of agriculture to the new market situation (redeployment, extensification), to protect the environment in ecologically sensitive areas, and to conserve the countryside. These schemes will be activated in 1988. Assuming the Commission's proposal is adopted, there will also be early retirement and set-aside schemes. And, for the first time, there will be a comprehensive forestry action programme to follow up one-off measures taken in recent years. The main objective of the programme will be to safeguard, develop, and exploit the Community's woodlands, thereby associating forestry more closely with rural development.

### Fisheries

45. The long-term viability of the fishing industry and its integration into the large Community market will remain an essential objective in 1988. The Commission will focus on conservation of the Community's internal resources.

This means that access to external resources must be guaranteed to protect the essential fishing interests of the Member States. This will be done by reciprocal concessions of fishing rights with non-member countries or through appropriate financial compensation or trade concessions. At the same time, the market organization will accommodate changing trends in output and the need, in the context of completion of the internal market, to promote free movement of fishery products throughout the Community in the interest of producers and consumers alike.

In addition, the policy on structures will continue to be a fundamental constituent of the adjustments to be made to the fishing effort in terms of resources. The sharp increase in fishing capacity in the Community in recent years can

be expected to continue this year because of steady improvements in technology: this will bring increased pressure on quotas and a renewed danger that fisheries will have to be closed.

In 1988, on the basis of national multiannual guidance programmes, the Commission will pursue its efforts to achieve an effective reduction in the tonnage of Member States' fleets. It will see to it that technical rules on resource conservation, such as those on mesh sizes, will be tightened where they are not rigorous enough to protect stocks. The Commission will also step up surveillance of Community measures, in particular those relating to catch statistics and the closure of fisheries. It will do whatever it can to develop new fisheries, notably by extending fishing agreements with non-member countries. This is an important area in which rapid progress must be made, especially with those countries with which negotiations have proved protracted (Morocco, Canada, Greenland, etc.).

## Transport

46. In 1988 transport policy, which provides vital underpinning for the large market, will continue to move towards freedom to provide services. A secondary objective will be to whittle away at the main distortions of competition. The Commission also attaches great importance to progress on the common transport policy being matched by improved safety, environmental protection and social conditions.

First and foremost, there is a need for rapid progress on inland transport, with an eye to the new market organization planned for 1992. Where necessary the Commission will supplement the proposals it has already presented on the freedom to provide transport services and on the elimination of distortions of competition in the carriage of goods by road. Following its recent proposal for a directive on a Community tax scheme for heavy goods vehicles, it will be making proposals shortly to ensure uniform application of social provisions in the road haulage industry. It will also propose measures to strengthen the position of the railways and to put the market in inland waterway transport on a sound footing. Improved road safety will continue to receive high priority.

Attainment of the goals of the common transport policy, linked as it is with the internal market, will also depend on solutions being

found to the problems dogging intra-Community trade transiting through non-Community countries. Under the mandate it has been given, the Commission will conduct an initial round of negotiations with Austria, Switzerland and Yugoslavia and will come up with additional proposals by the end of 1988.

The air transport decisions adopted by the Council in December constitute an important first step towards a common policy. The decisions on fares, capacity, market access, and competition have opened the way for further progress. In 1988 the Commission will embark on the next stage by drawing up proposals to approximate operating conditions, improve safety and harmonize certain social provisions. It will also define rules for a common approach to non-member countries, notably on traffic rights.

Finally, it will endeavour to ensure that decisions are taken on the aspects of market access, notably fifth freedom rights, which were only partially covered by the December package.

In shipping, after the first year of application of the December 1986 Regulations, the Commission believes that positive measures must be taken in 1988 to strengthen the position of Community fleets and national shipowners and to allow the use of a European flag under certain conditions. It hopes to make rapid progress on cabotage, which was not included in the December 1986 package. It will also propose common provisions in the social field and measures for improving safety, in particular for the carriage of dangerous goods.

## Energy

47. As far as energy is concerned, the Commission's overriding concern in 1988 will be to strengthen Community policy, in particular by examining Member States' policies, developments in the world energy situation and the various factors that can affect it. The main objective of energy policy will continue to be secure supplies at acceptable prices.

The 1986 resolution on energy objectives for 1995, like its predecessors, called on the Commission to monitor progress towards those objectives at both Community and national level. A review of national programmes — the first to be based on the 1995 objectives — will be published early in the year. A paper discussing the obstacles to a large frontier-free

market in the energy sector will be prepared to serve as a guide for future Commission activities.

Specific proposals will be made as soon as possible, beginning with a document on price transparency in the first half of the year.

Another priority issue is the future of the energy technology programmes being run by the Commission. An assessment of the oil and natural gas technology programme and the demonstration project programme will be issued before the end of the year, to coincide with proposals for regulations for the next phase of these programmes which will take account of the policy guidelines identified. In the solid-fuel sector the crisis affecting part of the Community's mining industry and low growth in consumption will remain the chief areas of concern. The Commission will report on the first year's operation of the new Community arrangement for State aid to the coal industry and issue a report on how the Member States have been applying the Council's 1983 recommendations on the use of coal, the object being to assess how effective national policies have been in promoting the use of coal in public buildings, industry and district heating. The Commission will present a further report on oil refining, imports of refined products and the Community oil market to pave the way for a policy debate on the main problems of the Community's oil-refining industry today and in the years ahead. The 1968 Directive on oil stocks allows Member States to enter into intergovernmental agreements under which one Member State may have part of its compulsory stocks held in the territory of another. If this provision is to be properly applied there must be a standard agreement: the Commission intends to issue a recommendation on the matter by the middle of the year.

As far as energy efficiency is concerned, 1988 will see a communication on third-party financing and proposals for a Community programme on the efficient use of electricity. Papers on efficiency in electricity generation and transmission will be presented too. The Commission will pursue its efforts to secure implementation of the Council's November 1987 recommendations on greater use of renewable energy sources. A further initiative planned for 1988 relates to the terms on which public electricity supply networks buy current from the independent sector.

The situation of certain elements of the nuclear industries is due for review in the light of

events since publication of the *Illustrative nuclear programme* in 1985. Studies in this context will also contribute to work in progress on public supply contracts. The aim here is to secure the best possible supply terms for the nuclear industries while honouring the Community's undertakings on non-proliferation. Continuing improvement of Euratom safeguards will make a vital contribution here.

## Nuclear safety

48. The Commission will re-introduce nuclear plant inspections on a selective basis with a view to monitoring background radiation and compliance with basic standards, as required by Article 35 of the Euratom Treaty. These inspections will also help to refine the radiation protection techniques used in the Member States. Since natural background radiation — and more specifically radon in dwellings — is one of the major sources of human exposure, the Commission intends to take action to facilitate a Community approach to the problem of keeping the effects to an acceptable level.

The Commission's work in the nuclear safety field will be dominated by activities prompted by the Chernobyl accident and the constant need to adapt Community instruments to scientific and technical progress.

The Commission will implement the Council Decisions on a Community system of rapid exchange of information in cases of abnormal levels of radioactivity or of a nuclear accident and Community participation in the Vienna Convention on Early Notification of a Nuclear Accident. It will also assist with the scientific work on maximum permitted radioactivity levels for foodstuffs, animal feedingstuffs and drinking water. Furthermore, to ensure that protection against the dangers arising from ionizing radiation is improved, the Commission will get to work on supplementing the 1980 basic standards Directive, with special reference to the basic principles for operational protection of the public.

The Commission intends to expand its information activities in 1988. It will present a proposal on measures and procedures for informing the public with a view to reinforcing operational health protection in the event of a radiological emergency. It intends to convene a second meeting (the first was held in October 1987) of the Standing Conference on Health and Safety in the Nuclear Age set up last year



and will organize an international seminar on worker information and training in the radiation protection field.

## Industry

49. Every possible effort must be made to help improve the performance of both industry and services in the Community, because a modern industrial strategy must address the tertiary as well as the secondary sector. Services are expanding rapidly and are a source of wealth, earning currency and providing jobs. They often help to reinforce the effectiveness and dynamism of productive structures in the regions. The Commission will develop a policy to promote the services market, with an eye to completion of the internal market and the growing globalization of trade.

The Commission will concentrate on two fronts: improving awareness of trends in industry, particularly as regards the contribution of industrial services; and framing a series of measures for industries and services requiring particular attention owing to market conditions. In this connection, steps will be taken to improve and expand statistics on industry and services, particularly in the case of small businesses. In the second half of the year the Commission will present an 'EEC industrial outlook' covering the main branches of industry and services and providing facts and figures on the situation in 1987, recent trends and future developments. The Commission is also planning to propose an action programme for the development of industrial services at a European forum to be held during the year.

Turning to individual industries, steel, shipbuilding, motor vehicles and aerospace will continue to loom large. For the steel industry it is now essential, in the light of the decision taken by the Council in December, to achieve sufficient capacity reductions in both the public and private sectors. The quota system for the three product categories still concerned has been extended to 30 June 1988. Between now and then the Commission expects to receive capacity closure proposals which it will assess in the light of the structural objectives of the steel policy.

The Commission will also review the market situation to see whether the conditions justifying application of Article 58 still persist.

The Commission will continue to back up the restructuring of the steel industry through

social measures and regional conversion measures under the Resider programme.

For shipbuilding the Renaval programme should in the Commission's view make an effective contribution to the industrial conversion and restructuring effort needed at regional level. The Commission intends to launch the programme as soon as it is adopted by the Council. The Commission also hopes that the specific programme of social measures proposed for all shipbuilding workers made redundant or in danger of being made redundant will be agreed to by the other Community bodies in the first half of 1988, so that this particular labour market problem can be tackled. Lastly, the other incentives planned under the programmes for the environment, energy, technology and small business will be implemented. This will flesh out the response given to this crisis-ridden industry by the sixth aid Directive adopted in January 1987. This year the Commission will be presenting two further communications on shipbuilding, one on the trade policy and international cooperation aspects, the other on the possibility of greater concentration at European level to improve competitiveness.

As in 1987, the Commission will study the motor vehicle industry with a view to introducing a Community policy directed at eliminating technical barriers to trade and achieving greater uniformity in the conditions governing balanced access to the Community market for vehicles from non-Community countries. The Commission will present a communication in the light of the resolution adopted by Parliament in the spring of last year. The Commission will also present a comprehensive discussion document on the aerospace industry, whose critical importance is growing in the areas of R&D (Euram), technological cooperation (Esprit, Brite), and advanced European technology (Airbus), and at international level (Eureka).

In these two vital sectors of Community industry the 1992 deadline will add a new perspective and make for more vigorous joint and comprehensive action to strengthen competitiveness, both internally and against outside competition. Moreover, the time has come for the Community to decide how it can help to further space-related objectives. Space is assuming increasing importance in political, economic and social terms and the decisions taken by the Council of the European Space Agency in November mark a turning-point for Europe's future in this sector. The Commission will be presenting a communication on this subject in 1988.

## **Agriculture**

- Research, development and demonstration work to reduce surpluses and offer farmers alternative incomes
- Efforts to improve agricultural statistics to allow better management of the common agricultural policy
- Research and development work in the application of remote sensing for statistical and output forecasting purposes
- Incentives and harmonization work with a view to the adoption of new technology in agriculture (including computers)
- Widening the base and stepping up exploitation of the farm accountancy data network (FADN) to tailor it more closely to the objectives of the CAP and the other Community policies (less-favoured areas, small business, dissemination of information, etc.)
- Use of computer networks in the areas of competition, quality and health, market organizations, agricultural and forestry structures
- Supervision of national aid schemes for agriculture and continuing introduction of regulations on Community income aids and a Community framework for national aid schemes
- Report on experience gained with the automatic dismantling system for the 'monetary gaps', with a view to speeding up the process of dismantling MCAs

## **Fisheries**

- Conclusion of Community fishery agreements with non-member countries (renewals, new agreements, inclusion of Spanish and Portuguese bilateral agreements in the Community framework)
- Introduction of adapted market organization
- Strengthening of policing arrangements and improvement in the surveillance regulations
- Monitoring of multiannual programmes for the improvement of fishery structures (Regulation (EEC) No 4028/87).

## **Transport**

### ***Inland transport***

Proposals supplementing the measures already envisaged in relation to freedom to provide transport services:

- Proposal to establish a definitive rate formation system for the international carriage of goods by road
- Drafting of rules to establish freedom to provide services in links with non-Community countries (road and inland waterway sectors)
- Proposal to strengthen the position of railway undertakings under the new market organization planned for 1992
- Proposal to encourage the use of combined transport

- Proposal to improve the structural situation of inland waterway transport

Proposals aimed at eliminating distortions of competition caused by fiscal, social or technical provisions:

- Proposal to tighten up conditions of access to the occupation of road haulier
- Proposal to secure uniform application of social legislation in the road transport sector

### ***Air transport***

Further common air transport policy measures following the adoption of a package of important measures by the Council on 7 December 1987:

- Approximation of the operating conditions of airlines in the Community (proposal on airport charges and consultation with airport users; Commission decision on State aid)
- Definition of common action on traffic rights in relations with non-Community countries

### ***Shipping***

Further measures to improve the situation of Community fleets in the world following adoption of the common policy rules in December 1986:

- Proposal for new positive measures to strengthen the position of Community shipowners
- Proposal on the establishment of a Community flag

Implementation of a social policy in the transport sector, improvement of safety, environmental protection:

- Continuation of action on road safety (proposals on compulsory wearing of seatbelts, blood alcohol limits for drivers, and speed limits)
- Approximation of social conditions and improvement of safety in air transport (proposals aimed at harmonizing certificates and licences; proposal for harmonizing aircrew flying time)
- Approximation of social conditions in shipping (improvements to working conditions, minimum rules on termination of employment, recognition of qualifications)
- Proposal to improve safety in the carriage of dangerous goods

### ***External relations***

- Securing directives for a second round of transport negotiations with certain non-Community countries

### ***Energy***

- First periodic review of convergence and coherence of national programmes in relation to the Community energy objectives for 1995
- Communication on obstacles to completion of the internal market in the energy sector
- Communication on energy price transparency
- Assessment reports on the oil and natural gas technology programme and the demonstration project programme

- Reports on the solid-fuel sector
- Report on oil refining, imports of refined products and the oil market
- Recommendation for a standard agreement to bring intergovernmental storage agreements into compliance with Directive 68/414
- Proposal for a Community programme on efficiency in the use of electricity; other communications in this field
- Greater use of renewable energy sources

### **Nuclear safety**

- Establishment of a Community system of rapid exchange of information in cases of abnormal levels of radioactivity or of a nuclear accident
- Continuation of activities in the wake of the Chernobyl accident aimed at improving information to the public on measures to be taken in the event of a nuclear accident (protection measures and basic standards) and evaluating methods adopted in the Member States for establishing plant emission limits
- Proposals on the protection of workers and the general public exposed to radioactivity

### **Industrial policy**

- Presentation of 'EEC industrial outlook'
- Continuation of activities concerning steel and shipbuilding and implementation of the Resider and Renaval programmes
- Communication on the trade policy and international cooperation aspects of shipbuilding
- Communication on the possibility of greater concentration in the shipbuilding sector
- Communication on the motor vehicle industry
- Comprehensive discussion document on the aerospace industry
- Communication on space

## V — Towards a European society

50. A large frontier-free area and balanced economic and social progress will not be enough to make Europe a tangible reality. Each and every Community citizen needs to feel bound by the links which unite European society. There is a broad base of public support for the Community: the mid-1987 Eurobarometer survey shows that three Europeans in four would like to see the process of European integration speeded up and intensified. Europeans can and must be given an opportunity to experience Europe at first hand, to see how it affects their everyday lives, their individual interests and the society in which they live. The Commission therefore intends to press on with the efforts initiated in 1987 to give the Community a higher profile.

51. The twin goals of completing the internal market by 1992 and progressing from a people's Europe to European Union call for increased activity in the cultural sector. Encouraged by support from the Culture Ministers in December, the Commission is planning to build on its multiannual programme to give a fresh boost to culture in the Community. Looking ahead to the decisions expected in late April, the programme will focus on a number of sectors. The creation of a European cultural area calls for specific initiatives (information on cultural Europe, business sponsorship, action on books, including literary translation) designed to ensure the free movement of cultural goods and services, better living and working conditions for artists and the creation of new jobs in the cultural sector, all to go hand-in-hand with regional development and the emergence of a cultural industry competitive at both Community and world level. Promotion of the European audiovisual industry is of prime importance here. The Commission feels that the breakthrough achieved on standards for satellite television must be followed up as a matter of urgency by the free movement of radio and television broadcasts and the promotion of European productions, as proposed in the draft directive currently before the Council. 1988 has been designated European Cinema and Television Year. During the year numerous initiatives will be launched in all the Member States in a wide variety of fields ranging from coproductions to the endowment of prizes and the organization of festivals. Projects will include the setting-up of a European cinema and audiovisual arts academy and the creation of an audiovisual charter on the rights of audiovisual producers. At the same time, projects to be

launched this year under the Media programme (the two-year preparatory phase has now been completed) include the creation of a European film distribution system, the introduction of new production technologies and the promotion of European funding schemes. The Commission also hopes to continue to encourage numerous other activities in connection with other major aspects of the new economic and social area and will give top priority to the production of programmes compatible with the European technical specifications for high-definition television, the third-generation television due to come into operation in the 1990s, thereby making it possible to capitalize on the Community's multilingual dimension. As national frontiers are no obstacle to satellite broadcasting, the Commission has presented a proposal for a directive on television without frontiers designed to facilitate the free movement of radio and television broadcasts and the production and distribution of European programmes on the basis of standard requirements set out in the proposal. These measures must be supplemented as a matter of urgency by specific action to promote the expression of a European cultural identity.

52. Progress towards a European society also entails allowing nationals of Member States who are resident in a place other than their place of origin to participate fully in public life. The Commission intends to continue its efforts on this front on the basis of the report it presented to Parliament in 1986 on voting rights in local elections for citizens of the Member States and subsequent developments and to consider the terms of a proposal on the subject.

53. Tourism, which is both a productive activity in its own right and a factor contributing to the quality of life and freedom of movement, is in need of fresh initiatives at Community level. With an eye to the designation of 1990 as European Tourism Year, the Commission intends to focus its attention this year on increasing awareness, promoting and expanding tourism and making it more accessible. In the same context, a final decision will have to be taken on the summertime arrangements to be applied from 1990. The proposal for a fifth Directive, which will be presented in 1988, will attempt to resolve once and for all the current anomaly whereby summertime still ends on two different dates.

54. Exchanges between young people throughout Europe are a particularly valuable way of enhancing the transnational dimension of the integrated economic and social area. The Com-

mission intends to step up its efforts to secure prompt adoption of the YES programme, whose launching at long last will provide proof of a willingness to make a long-term investment in Europe. The programme will enable 80 000 young people between the ages of 15 and 25 to spend a week in a Member State other than their own. There will be provision for the length of stay to be extended in the case of young people from deprived backgrounds working on projects with a European dimension.

The YES programme will complement the Erasmus scheme, which encourages student mobility within the Community. According to estimates, a total of 8 000 students, 2 000 lecturers and administrators, and 800 higher education establishments will be involved in the scheme in the 1988/89 academic year. This, together with the continuing cooperation between universities and industry in training for technology (Comett) (a proposal to extend the programme beyond 1989 will be presented this year), will represent an important step towards mutual academic recognition by the Member States.

55. The feeling of belonging to the Community is also fostered by sporting activities, which have considerable economic impact and are an excellent vehicle for communication. The results of the sporting events initiated or supported by the Commission (the European Community Cycle Race, the European Yacht Race and the European Community Swimming Championships) confirm the potential value of this type of Community action. The Commission will continue its efforts to give a Community dimension to national and local sporting activities throughout 1988. In particular, it will seek the consensus needed to stage the 'European Community Games' in 1989 to coincide with the next European elections. This major event, covering 24 disciplines and staged in 24 towns throughout the 12 Member States, is to be sponsored jointly by Parliament and the Commission.

56. Encouraged by its success in 1987, the Commission will continue its action in the field of civil protection. In line with the resolution adopted last May by the 12 Ministers responsible for civil protection various measures will be implemented in 1988 in an attempt to increase capacity for the management of natural and man-made disasters and to boost resources available to deal with them. In addition to the publication of a Community guide giving comprehensive details of rescue facilities, warning systems and emergency plans in the Member States, action will be taken during the year to

encourage Community cooperation on simulation exercises, the establishment of a data bank which can be linked up to national operating systems, and the organization of public information and awareness campaigns. The Community network of liaison officers on civil protection will be fully operational in 1988 and the Commission intends to make a concrete contribution to the success of the second ministerial meeting to be held some time this year.

57. The fight against the modern scourges threatening the health of Europeans will also continue to figure high on the Commission's list of priorities. Particular attention will be paid to the action to combat and prevent cancer and AIDS (1987-91 programme in the field of medical and health research) with further efforts being made to improve coordination, in particular by eliminating duplication of effort and waste of resources. In addition, work will continue on the wide range of training, information and public opinion survey activities under the three-year 'Europe against cancer programme' culminating in European Information on Cancer Year in 1989. This year's plans include the organization of a European week against cancer, the provision of teaching aids for health education, contributions to television broadcasts, and awareness campaigns targeted at teachers and the health professions.

58. The way in which individuals and societies within the Community perceive their European identity can also be influenced by symbols relating the European concept to everyday life. In the wake of the numerous activities organized last year to propagate Community symbols (flag and anthem) to mark the 30th anniversary of the Treaties of Rome, the Commission will intensify its efforts this year in a number of specially sensitive areas such as car number plates and postage stamps. In particular, it will continue to press for application by the Member States of inland postal rates to ordinary letters and postcards to destinations within the Community. Through regular contacts with the postal authorities the Commission will try to ensure that the Member States which have not complied with the recommendation to do so this year (Belgium, Germany, Greece, Italy and, in the longer term, Portugal and Spain). The Commission will also continue to campaign for the printing of special issues of identically designed postage stamps over a number of years. For 1988 its ambition is the printing of a commemorative issue by all Member States to mark the centenary of the birth of Jean Monnet, the founding father of Europe.

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