

COMMISSION OF THE EUROPEAN COMMUNITIES

A. Spinelli – INTRODUCTORY SPEECH

**Report n° 1 STAGE REACHED IN WORK ON INDUSTRIAL
POLICY IN THE COMMUNITY**

Rapporteur R. Toulemon

CONFERENCE
"INDUSTRY AND SOCIETY
IN THE EUROPEAN COMMUNITY"

INTRODUCTORY SPEECH
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COMMISSION OF THE EUROPEAN COMMUNITIES
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Your Excellencies, Ladies and Gentlemen,

First of all the Commission would like to thank you for answering its call and coming here to debate the theme "Industry and society in the European Community". This Conference has been called by the Commission to formulate and then carry out, with your help, the industrial objectives of the enlarged Community in the light of the new social needs.

The method we have chosen for the preparation of this Conference has been to ask outstanding individuals from the trade unions, and from industrial employers, together with independent experts to report on the major issues that face European society in the field of industrial policy. In this way we hope to obtain a picture of the major social forces and needs at work in Europe. The rapporteurs have provided us with a rich stock of raw material for our debates. I hope that the discussions will both throw up new ideas and show a considerable degree of consensus on them in such a way as to throw light on and reinforce the action that the the Community will have to undertake in the next crucial stage of its development in order to establish a genuine policy to serve society's needs, that is to say an overall policy that gives sense and coherence to all its individual policies.

If the European humanist tradition - the hidden powerful mainspring of the whole Community machine - means anything, it means for us today that economic and industrial development must serve human and social needs and not the other way round. Before speaking about the main themes to be dealt with here, it is necessary, in order to avoid misunderstanding and misinterpretations, to dwell a little on this point. Faced with the real and major dangers which are created by our very development and threaten mankind's future, we are very often told that a halt must be called before it is too late, that it is not right to push development forward at all costs as an end in itself, that we must reorganize our society, in order to impose on it and individuals what is styled in the latest terminology a prudent zero rate of development, a stable and permanent balance between all its internal and external factors, and all its component parts.

There is a measure of paradox in this heartfelt appeal. Each of the criticisms which it levels against a society based on growth is in general correct, since each individual item of growth, if extrapolated and taken to its logical conclusion, leads to a disastrous negation of itself and of the reasons which motivated it. However, the global solution offered cannot be achieved by man. It does not merely involve consuming only so much and in such a way as to permit a stable and harmonious relationship between consumption and natural resources, between the various sections, structures and classes of society. Nor does it involve simply re-establishing ancient traditions, implanting new ones and making sure that everybody observes them. Above all it means suppressing any further desire for knowledge of what is still unknown, for changing things which may appear inexact or unjust, for the spirit of adventure, be it practical or intellectual, which demands that every time a limit is reached we ask how we can go beyond it. This aim might be achieved by some individual, an epicurean, a monk or a hippy, but not by Mankind.

It may be possible for a people subjected to the totalitarian control of an oppressive élite which has forced it to turn in on itself, to obey inflexible conservative laws and look no further. But it is not possible for mankind as a whole, and European civilization in particular, which came into being and is growing because it has always chosen Ulysses rather than Hesiod, the learning of Galileo and not that of Aristotle, industrial rather than corporate society, freedom rather than complete order, betterment rather than resignation. The alternative has been proposed not only now but countless times in the past and each time it has been rejected by practical rather than doctrinal reality.

Our Community can only be based on the hypothesis of a growing, developing society. It could not be otherwise because the Community itself is an innovatory scheme and innovation is only possible in a growing society.

Basing one's own actions on the hypothesis of growth does not however mean acquiescing lazily and optimistically in it in the illusion that all growth is inherently beneficent. The truth is rather the contrary: even the most beneficent growth tends to become pernicious and destructive in the long run.

All growth, initially surging forth spontaneously and barely under control, must produce at some time or other a feed-back effect for its own control in order to favour its positive results and eliminate its negative points or at least reduce them to manageable proportions.

It is this rather than checking growth that is the challenge facing the Community, and any advanced industrial country for that matter. It is true that industrial society is growing to a point where it threatens the environment in which we live both as a whole and in its various parts and regions, and even civilized society itself. This menace takes the form of such serious deterioration that the spontaneous efforts of nature and society are becoming more and more incapable of reconstituting what is destroyed. We could reach a point where we no longer possess either the wealth of water, air and earth which we need to survive or towns where we can live and feel like human beings.

The Community must work out for itself a conscious and effective policy towards society to control and channel the interactions of its many parts and the relationships between society and nature, not in order to reach an impossible static equilibrium between society and the environment but to steer the evolution of both so that further progress in the human adventure may be achieved.

This is not a challenge which can be met in the next few years, but in that time we shall have to tackle a number of priority themes which, if they are on the right path towards a solution, will smooth the way for the future development of policy for our society which is becoming ever more complex, and will equip us to cooperate better in the formulation of a developing policy for world society.

What are these major themes, as regards industrial policy in particular ?

When the notion of industrial policy first became current in the Community it was conceived as a means of raising productivity and increasing wealth - and with good reason, for the efficient generation of wealth by industry, remains the basis for the improvement of society and for Europe's influence in the world.

The Rome Treaty did not mention industrial policy; it was concerned above all with the removal of barriers to the growth of a common market or, to be more precise, a customs union. The need for an industrial policy emerged where it became apparent that the purely negative action of removing barriers was not enough and that, if only for economic reasons, more positive common action was needed in the Community to render possible the full integration of European industry and the full exploitation of the new continental dimension. The formation of European companies, the opening of public contracts and effective participation in them, the pooling of technological efforts: all these economic tasks remain an essential part of industrial policy and are crucial if the potential of the enlarged Community is to be achieved.

This Conference must, however, throw light on the wider and deeper tasks and on the responsibilities of the Community and of industrial policy - and also on the new responsibilities of technological policy and on the limits of the restraints which facts and foresight impose on economic growth.

It is universally accepted that ecological needs, for example, impose a first, severe constraint. Patient nature - or the biosphere as the scientists call it - cannot absorb an infinite amount of waste and contamination. So how can the skills of European science and technology be applied in a joint effort to develop new non-contaminating technologies? How can Europe lead in tackling ecological problems that have reached a critical point - like oil pollution of the oceans. The Commission has already made a start with some immediate proposals. But we want you to look much further ahead, to help to clarify ecological policy issues and give them a political impetus. Venice, after all, stands as a symbol of the desperate need for action now if the most precious things in European civilization are to be preserved from the worst side-effects of industrialization. And its plight reminds us that action needs to be supported by financial resources, administrative competence and political power.

Equally, no discussion of future growth and technology can ignore the need to assess, explore and conserve Europe's potential resources, and to develop new materials and recycling technologies. How can industry continue to develop without destroying the basis of its future growth ?

For to sow we must needs have saved the seed. If growth and its limits remain essential themes, we also need wisdom, guidance and grassroots knowledge on the priorities for spending the wealth the Community produces. Where and how can we find the funds to spend on educational, housing and health needs, on new public transport systems, on further protection of the environment? Concern for a higher quality of life involves the problem of new priorities between public and private consumption, between industrial and public investment.

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The "quality of life" is not merely a matter of preserving the stones of V nice, of preventing the Rhine from becoming a poisoned sewer, of saving or replanting forests and making something rational of urban public transport once again, and so on, but of improving the quality of life of the citizens of Europe at their daily workplace and elsewhere. The occasional noise of a supersonic airliner is little compared to the din of a heavy metal cutting tool. Throughout most of Western Europe industrial accidents are responsible for more working days lost than strikes. The frustration of the commuter stuck in his daily traffic jam as he makes his way into London, Paris or Milan is modest beside the imprisoning frustration of work on some assembly lines. In the coming year a major task of industrial policy must therefore be to improve the environment of the workplace and that improvement inevitably involves reorganization of production systems to enrich work and, despite all the difficulties and differences, a growing element of industrial democracy.

Participation, workers' control Mitbestimmung, shared decisionmaking - whatever the differences of words and interests involved, these ideas correspond to a basic human need - both for more shopfloor democracy - for it is at that level that workers of all kinds have most to contribute, and for some democratic participation in the strategic decisions which are taken at the top of our great industrial concerns. Moreover, as industry becomes international and European, neither the need for better conditions nor what I have called the question of "industrial democracy" can be settled at a national level alone. We shall have to explore how both employees' and the public's interest can be better represented in the great multinational enterprises which Europe also needs if it is to continue to achieve its economic and political goals.

A Community advancing towards economic union will likewise have to face new questions about the distribution of wealth between different geographical groups in our society, between privileged and under-privileged regions. That is one of the many reasons why the Community cannot remain an apolitical animal.

I have no hesitation in saying that the wealthier the Community becomes and the more successful our advance towards economic union, the bolder we shall have to be in transferring Community resources to less-favoured regions. We shall not be able to avoid that issue in a Community that will soon include most of the peripheral regions of Western Europe and where - round a central area of regions so over-developed that they have already become too congested and in which the quality of life is deteriorating faster than goods grow in abundance - there are others, unduly slighted by nature, where antiquated agricultural methods have not yet given way to a balance between modern industry and agriculture, and regions stricken by industrial changes that do away with old undertakings which are no longer profitable and not bring forth any new ones of promise for the future.

The moral as well as social question of the just redistribution of wealth and the means of producing it is also posed when we discuss Europe and the developing world. Far greater transfers of wealth to developing countries than hitherto, in the form of aid, investments, technological assistance, will be necessary if we are to avoid tragically deepening the gap between us and them. But if this policy is to be successful, and indeed to the extent that it is successful, it will have to be expressed in an increase in the industrial capacity of those countries; we must therefore open our frontiers to their products. The Community has already started on this road, with the unilateral adoption of generalized preferences. But in this way our industrial policy faces a new challenge: since the future division of labour in the world will necessarily be different from the present one, it will be necessary to help the structural changes in various industries so that our own society - and that means particularly working people in certain branches in the textile and electronics industries and in the shipyards and probably yet others in future - do not suffer; the Community has a responsibility to help them either to continue to work in their own, modernized and regenerated industry, or to adapt to

new rewarding jobs.

I hope this Conference will not merely define tasks and aims, but will also indicate the instruments for coping with them. May I suggest a few for your consideration.

An effective regional policy needs large Community resources at its disposal through a Regional Fund and a strengthened European Investment Bank and these funds need to be able to be used in active partnership with national and regional bodies for the development of infrastructures but also to be associated with industries - both private and public - for the purpose of promoting the flow of productive investments to the regions that need them most.

The Community needs resources going beyond those of the present Social Fund to carry out what I have called structural industrial policy, above all the adaptation of traditional industries. May I draw your attention in this respect to the provisions of the Treaty establishing the European Coal and Steel Community. There the Community has the right to be informed of investment decisions and common funds are available to help carry out necessary conversion measures. The reason why the vast process of conversion in the coal industry, which was not in fact foreseen at the time when the ECSC was born, was carried out successfully and without too serious, social, industrial or political upheavals, was that the Community had the means to help in conversion and to smooth the path for those concerned. Could we not, indeed should we not, apply the same principles to industries in difficulties, in need of structural help and change?

The new industries too, above all those with advanced technology, need Community resources in a variety of forms. One form is that of development contracts, on which the Commission is already preparing proposals. There is also a need for more risk capital in Europe to feed forward-looking enterprises of high growth potential, capable of cross-frontier development. There are already various private foundations in these fields, but they need judicious backing with common public funds.

In all these areas the European Investment Bank can be a major focus of growth. It will have to work closely with the national bodies operating in the same fields. As concerns risk capital, I would ask you to consider the idea that the Bank and the parallel national bodies should set up a joint European subsidiary specifically to provide risk capital to enterprises of good growth potential.

The matters you are to consider and the technical equipment you will bring to them presuppose that the Community has the capacity to prepare, adopt and carry out this vast array of measures which is only the beginning of a full-scale policy for society. Since Europe is and wishes to remain a pluralistic society, the realization of this policy, and all the other common policies, depends on cooperation between the Member States, at both central and local administration level. But cooperation alone is not enough; there is a need for common decision making centres which are both efficient and representative. We must ask ourselves whether the present Community institutions are capable of tackling this policy. The answer can only be no.

The Community, as it stands today, was a first step towards the unification of our peoples - a step so important that not one of the countries that joined it have ever turned back or even tried to, in fact others have come in along with them; a step so decisive, that what has been done past is now seen as a basis for what remains to be done in the future; a step so binding, that all future growth must be thought of and brought about as a further extension of this initial Community, not as something which can be achieved alongside it and ignoring its existence. However, the Community has always been no more than the first step.

Industrial policy, the mainstay of economic and monetary union and at the service of the ideal of a policy towards society, requires the Community institutions to have quite different decision-making and implementing powers. The Member States must give the Community

a mandate to execute the regional, industrial, technological and ecological policies. They must acknowledge that its financial resources, based increasingly, and in a few years exclusively, on citizens' tax contributions, can be raised and developed differently. They must accept that it is the Commission that should clearly be given the initiative in these new fields too and the responsibility for executing the common policies being gradually formed. They must accept that the legislative and financial decisions without which nothing would be possible, must be taken not only by the representatives of the individual governments, i.e. by the Council, but by the European Parliament too, with full powers of co-decision as the sole guarantee of popular consensus and hence European democratic legitimation of any action taken. Finally, they must realize that this is why the time has come to have a Parliament directly elected by the people of Europe.

For many years, the Community has remained unchanged in the form it took on coming into being. There is no doubt that it has completed most of the programme set in the Treaties establishing it but has gone no further. And it has missed not a few opportunities and wasted not a little time. Because of this constitutional inflexibility it has failed in a number of fields; the nuclear policy has been an almost complete failure for lack of a global policy for research and for scientific and technological development; public contracts have not been opened because of the absence of a common industrial policy; the lack of an overall economic policy has caused the agricultural policy to develop abnormally; the customs union and the European organization of agricultural markets have been in danger of destruction because of the lack of a common monetary policy.

However, the long winter is now drawing to a close and the awareness is growing that we must move forward. The Accession Treaties

have been signed and will be ratified in the next few months. In October the Heads of State or Government will meet to undertake a political commitment, on behalf of their countries, to further economic and monetary union and to reshape the system of Community institutions. In the coming months the Commission will formally submit a proposal for institutional reform designed to give the Parliament true legislative, financial and political control. Last August the Community, after some initial confusion, answered the monetary crisis by re-establishing a minimum of monetary solidarity and preparing to strengthen it substantially. At the beginning of next year a new Commission will have to submit to a new Council and a new Parliament the action programme of the new Community.

This is the background against which your Conference is being held and which makes it so important, and everything suggests that our thinking and our proposals can provide the guidelines for real actions.

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REPORT N° 1

STAGE REACHED IN WORK ON

INDUSTRIAL POLICY IN THE COMMUNITY

by
R. TOULEMON

COMMISSION OF THE EUROPEAN COMMUNITIES

VENICE - 1972

A STATUS REPORT ON WORK IN PROGRESS CONCERNING INDUSTRIAL POLICY
WITHIN THE COMMUNITY

by R. TOULEMON

The concept of industrial policy is relatively new. For many States it has long been confused with general economic policy or been confined to certain sectors, whose special problems of adaptation or growth provoked intervention by the public authorities.

This was the situation in the Community during the sixties. Firstly, joint sectorial instruments had been set up and implemented with variable success within the compass of the ECSC and EURATOM Treaties. Secondly, the industrial policy of the Common Market was limited to :

- a) achieving, effectively and positively moreover, the abolition of customs duties on industrial structures,
- b) installing a common custom's tariff,
- c) surveillance of aids and restrictive agreements in order to ensure effective competition in the extended market,
- d) examining requests for protective measures from the States in order to deal with temporary sectorial problems.

However, the work begun in 1963 by the Committee for Medium Term Economic Policy had shown the need for overall Community action to enable enterprises to make the most of the existence of the big market, to organize in the scale of the Community economic area and to promote the progress of new technologies, a field where Europe in relation to the United States seemed to be increasingly lagging behind. At the same time some liberation and harmonization towards unifying the European juridical and fiscal framework was taking place, albeit more slowly than the Commission and those involved would have wished. Likewise, the Commission supported by labour organizations, representatives of regions in difficulty and some governments, was striving to mitigate the adverse social and regional aftermath of changes accelerated by the implementation of the Common Market.

Although, strictly speaking, these efforts towards harmonization do not emerge from the sphere of industrial policy, such action of a social or regional nature is obviously of major interest for industry and its development.

In 1969, by the initiative of Mr COLONNA DI PALLIANO, the Commission decided to offer a birds-eye view of the problems preceded by an analysis of the industrial situation in the Community, from the standpoint of internal and external communications between firms of different countries.

So, in March 1970, the Commission sent to the Council a Memorandum on the industrial policy of the Community, in which were brought out five basic guidelines :

- Achievement of the single market,
- Unification of the juridical, fiscal and financial framework,
- Approximation of enterprises,
- Organization of changes and adaptations,
- Intensification of Community solidarity in economic relations with third countries.

In the introduction of this paper, the Commission recalled the qualitative nature of the end results, to which any economic progress must lead :

- a) Improvements in the conditions and dignity of labour;
- b) Greater participation by the workers in the life of the business;
- c) Instruction adapted more closely to the condition of today's world;
- d) More effective protection of the natural environment;
- e) More harmonious distribution of wealth in the world.

These cares have not waned in importance since then. In March 1970, the Commission had declared its intention of eventually tackling these problems in depth. Mr SPINELLI suggested to the new Commission, inaugurated in July 1970, that a widespread comparison be organized, on the

theme of Industry and Society in the EEC, between personalities representing the various social and professional "milieux" together with some leading qualified experts. This constitutes the springboard for the Venice Conference.

Meanwhile without waiting for this conference the Commission has taken the initiative several times in the areas alluded to above, for instance, the social Memorandum of 17 March, 1971 and the initial communiqué of July 1971 concerning environmental policy, which was followed by action proposal from March 1972 onwards. Elsewhere the education ministers within the Council have started to examine together the current problems in teaching and have decided to establish an European Institute of Human Sciences at Venice and are considering setting up an European Education Centre, which would be something like a common study office for teaching problems.

But the subject of this report is *stricto sensu*, a status report on the work being done on industrial policy. Before outlining the situation concerning each of the basic guidelines in the Memorandum of 1970, I would like to give members of the conference some information about the procedures followed by the Council.

On the basis of the 1970 Memorandum and in addition several papers worked out by the French, German and Italian governments, the Council resolved, in July 1970, to assign the investigation of nine problems regarded as priorities to a group of senior civil servants, who report to the Committee of Permanent Representatives. These nine items revealing the thoughts uppermost in the minds of governments are :

1. the realization of the Common Market in certain sectors of advanced technology and capital goods;
2. the promotion of industrial progress and technological development in the Community;
3. measures which may facilitate trans-national industrial regrouping within the Community :
 - a) establishing a Community advisory bureau for industrialists wishing to pursue approximation,

- b) extension of the role of the EIB,
 - c) issuing of procedures for concerted action at Community level on problems of industrial restructurization;
4. development of Community fellowship with an eye to improving technological co-operation with non-Member States;
 5. unification between Member States in the face of foreign investments;
 6. the possibility of establishing, in addition to the juridical protocol of European commercial companies, a more flexible protocol which will facilitate approximations between enterprises;
 7. the territorial aspects of industrial policy;
 8. the co-ordination and rationalization of Community financial devices intended for economic development;
 9. the role of public enterprises in the industrial policy of the Community.

After nine months work, the group has submitted its report, which indicates a broad measure of agreement, although some divergences, chiefly over public contracts and investments by non-Member States have not been entirely reconciled. The group proposed to set up a standing Committee to follow through this concerted action on industrial policy. The Committee of Permanent Representatives, whose agenda throughout 1971 has been overloaded by the accession negotiations, will not be able to report to the Council until March 1972, or one year after submission of the report by the Senior Civil Servants. This will be after a new reconciliation of viewpoints, although disagreement still persists as to the status to be accorded to the Standing Committee on Industrial Policy (seconded simultaneously to the Commission and the Council or the Council Group).

While taking an active part in the deliberations of the Senior Civil Servants, the Commission has carried on its work in accordance with the outlines laid down in its Memorandum. It also carefully considered the common guidelines brought out in the debates of the Council of Senior Civil Servants and Permanent Representatives, as well as the official views of the European Parliament, the Economic and Social Committee and the attitudes emanating from consultation with professional and trade union organizations.

The current status of the situation can be described by following the guiding principles of the 1970 Memorandum, to which we should add environmental protection.

I. Achieving the single market

For some products two factors are still blocking the opening up of the markets : technical obstructions and the behaviour of public buyers. Eliminating the first item has not up to now provoked big political problems but it raises a host of technical questions, which will require very long and patient efforts to settle. To modify the behaviour of public buyers is a much more difficult undertaking, since some countries use public purchases as a tool of technological industrial policy and even of regional development.

A. Elimination of technical obstructions

In this sphere the Commission is actively pursuing the implementation of the general programme approved by the Council in May 1969 and which has already led to issue of 21 directives for the harmonization of regulations on a varied list of items. These include equipment of automotive vehicles and the make-up of their exhaust gases, metrology, dangerous substances and products, labelling of textile products or crystal glass manufacture. A host of other directives concerning weights and measures, oil pipe-lines, fertilizers, autocycles are at different stages of preparation. The Commission has just suggested to the Council that the 1969 programme be completed including mainly motorcycles, railway equipment, aircraft, school equipment, toys, weapons and munitions. However, the volume of questions to be settled and the slowness of progress up to now leads us to think, that we should review methods and procedures especially to cover new problems which might jeopardize the workings of the Common Market and particularly before Member States adopt measures at the national level.

Likewise the Council will have to interpret sufficiently broadly the arrangements in hand to adapt the already adopted directives to technical progress : arrangements, which quite rightly do not entail unanimity as is unfortunately the case with the directives themselves. Even if such a change of method involves the necessity of finalizing the arrangements of the treaty, this outcome should be faced.

We must not lose sight of the great advantages for industry offered by the harmonization of national technical regulations. Harmonization in production at the European level will facilitate long homogeneous runs. It is also the only way to avoid an over-dependence on norms or regulations developed to their own accord by non-Member States, for it allows the Community to wield its influence effectively at the international level. These points are highly topical at the moment in certain sectors, for instance automobiles. We may well wonder whether Europe will not have to equip itself with a joint bureau for automobile safety.

B. Opening up public contracts

Since it contravenes the treaties to reserve public contracts for national products, the Commission, in December 1969, issued a directive based on Art. 33, par. 7 specifying all the measures and inducements of any kind involved in public contracts, which Member States must henceforward eliminate or discontinue. Member States have had to notify the Commission of the steps taken to comply with this. This information is still coming in and under scrutiny.

Based on Art. 100, the Commission has proposed two directives for the harmonization of procedures for awarding public administration contracts, one for public works and the other for public supply. The first has already been adopted by the Council and will come into full effect in July 1972. From then on, the important public works contracts will be awarded according to the harmonized rules.

Moreover, directives covering the purchasing procedures of enterprises responsible for service of general economic interest will have to be issued on the basis of Arts. 90 & 100 of the Treaty of Rome.

Up to now inter-Community trade remains abnormally weak in the sectors of railway equipment, heavy electro-mechanical or nuclear apparatus and telecommunication material. It would be wrong to believe that this compartmentalization stems from mustical constraints imposed by governments or from the chauvinistic attitudes of certain buying organizations alone. It can also be explained by differences in norms sometimes long-established or by longstanding bonds of confidence in national suppliers as well as by certain restrictive agreements, which the Commission must vigourously attack.

The genuine opening up of public and semi-public works contracts will also result from reciprocal, persistent and multi-lateral action, which must hinge on close co-operation between public buyers particularly in the case of harmonizing technical norms and specification dossiers.

It is also clearer than ever that the Community must commit itself to action on two fronts :

- open up the contracts, for this is the mainspring for creating competitive industrial structures :

- tackle jointly, on a Community scale, the regional problems of industrial structure and technological development involved in the development of these contracts. The use of existing Community means (the Social Fund, the European Investment Bank) or future means (the Regional Development Fund) should encourage the redevelopment of regions or industries affected by this opening up of contracts. Moreover, concerted action over their purchasing policies by the organizations involved should allow technological objectives to be more effectively reached namely, a pooling of definitions on required performance, expansion of transactions by means of joint or grouped orders, inducement for the different industries of the Community to co-operate.

This concerted action on purchasing policies of public interest, is presently the subject of in-depth discussions among various Community and national authorities.

Following a resolution by the Council of Transport Ministers, the railway companies have already put in hand a collective study of these problems and intend to continue their effort towards standardization and joint purchasing. The Commission is involved in promoting a similar co-operation between electrical or aviation companies and between the various administrations of the PTT and is hoping, in these areas, for a political commitment on the part of the Council. The Commission is handling a continuous study of the situation and will shortly publish an initial report on the obstacles still blocking the open access of enterprises to the public works contracts of the Member States.

II. Standardization of the juridical, fiscal and financial framework, and the re-grouping of re-grouping of enterprises accross frontiers

The completion of the Common Market involves not only the elimination of the remaining obstacles blocking trade, but the final realization of the right of establishment, the harmonization of taxation systems, initiated by the overall adoption of the added value tax and the opening of the Common Market for capital, in itself tied in with progress towards the monetary union.

In this sphere the realization of the Economic and Monetary Union plays a decisive role. On its principle must turn the harmonization of fiscal systems and the freedom of movement of capital within the Common Market. The Union will allow us to ensure the stability of rates of exchange, without which a Customs Union loses its essential value, which consists of maximum security for the development of manufactures suited to the needs of a big market, where an undistorted competition prevails.

The recent decisions taken by the Council must then be greeted with satisfaction, since they mark the unanimous agreement of the Member States on the guidelines and measures, which should offer

industry a monetary, fiscal and financial framework better fitted to its development. Among the more modest measures but nonetheless of real value, we should mention the action taken based on Art. 54. 3g. towards co-ordinating the guarantees required within Member States from companies in order to protect the interests of partners as well as third parties. In particular a fourth directive was submitted in 1971 for the Council's approval, which covers the layout and contents of annual accounts and management reports together with the evaluation techniques and publicity of these documents relative to the limited company (anonyme) and the limited liability company. This co-ordination is a necessary step towards ensuring the opening up of capital markets within the Community.

The Memorandum on industrial policy had highlighted the interest in "restructurizing" enterprises, especially when the operations extend beyond frontiers. The reactions to the Memorandum in this field merit a few additional comments on my part. First of all a misunderstanding must be cleared up.

Many industrialists are astounded that the Commission is striving to check restrictive agreements and dominant situations and promote concentration at the same time.

Some industrialists believe they see here a paradox, which reflects the differing concepts inspiring the departments responsible for competition on the one hand and those responsible for industrial policy on the other.

In reality these two objectives, concentration and competition, far from being antagonistic are in fact complementary. Especially in the sectors of advanced technology, the creation of competition undistorted by considerations of national prestige turns on the formation of trans-national consortia. This is why, in these sectors, a distinct preference must be indicated in favour of trans-national concentration or co-operation as against nationally bounded concentration. Certainly the latter can be a useful phase especially in countries with weak or scattered industrial structures. But it should never lead to the formation of a single national company, otherwise there would be a grave danger of consolidating national compartmentalization.

Moreover, it must be made clear, that the Commission does not advocate concentration everywhere. On the contrary, it is convinced, that except for certain fields where technique entails large dimensions, the smaller-sized firms will hold on to their opportunities. No more than it favours concentration, the Community is not in itself a catalyst of industrial giantism. On the contrary it is the medium-sized firms which draw and will draw the most advantage from Community works, in as much that it is the big firms who adapt themselves better than the small ones to the host of fiscal and administrative anomalies, that is if they cannot derive advantages from them.

Apart from the adjustments which it has already made to the regulations on restrictive agreements, the Commission has proposed numerous measures to facilitate trans-national concentrations and co-operation : directives intended to eliminate fiscal discrimination falling on international mergers or adjusted to the fiscal status of parent and subsidiary companies, together with the harmonization of company law and plans for European status by respect of shareholding.

According to industrialists the fiscal obstacles are the most awkward ones in the case of mergers, participations or creation of subsidiaries. This is why, in January 1969, the Commission submitted two proposals for directives concerning the fiscal system for mergers and the system applied to parent and subsidiary companies.

As regards the fiscal system for mergers, the aim was to eliminate fiscal penalization falling on mergers involving more than one country within the Community, that is a penalization compared with the fiscal system covering mergers between companies on the same country. The proposed fiscal system, which is neutral and does not represent an inducement to concentration, provides that the taxation of plus-values released at the time of the merger will no longer be immediate and that it will be carried forward to the time when these plus-values are effectively realized (cession of property, liquidation). Moreover, the profits of the unified company will be taxed either in the country, where they are made or will be subject to the system covering world profit.

This last arrangement is included in the second directive concerning the fiscal system applicable to parent and subsidiary companies. The point here is to eliminate the double taxation still persisting within the Community on the profits of multinational Community companies.

Despite very thorough technical work and the broad assent of Member States, these two directive proposals have not yet been the subject of a final decision by the Council.

The juridical obstacles can be summarized thus : in the Community there exists no company law valid in all the Member States and allowing enterprises to deploy their strategy throughout the Community. The Community is a patchwork of company law which forces companies interested in crossing national frontiers to verse themselves in different legalities for each country, where they set up, which makes some operations like mergers difficult if not impossible. Companies have used expedients but these lead to extremely complicated juridical mechanisms, which only increase the number of juridical items one hoped to reduce (Fokker-VWF; Agfa-Gevaert). Moreover, in the case of transactions like the creation of subsidiaries or joint holdings choice over national laws causes delicate problems of pride among the enterprises. It is not infrequent for these joint companies to establish themselves in a non-Member State (the Fiat-Citroën holding in Switzerland).

Work towards harmonization of the company law of Member States necessitated by the realization of the right of establishment for companies (Arts. 54 & 58) or by the realization of Art. 220 of the Treaty (mutual recognition of companies, preservation of juridical personality in case of transfer to another Member State, or merging of companies involving two different national legal systems) has soon been shown to be inadequate to settle some of the vital problems besetting the life of companies in the Community.

So the Commission proposed in 1970 to adopt rather than uniform national laws, a single Community statute for the European Société anonyme. The adoption of this proposal, based on Art. 235, is running up against serious obstacles : such as conditions of access, the fiscal system, protection of third parties and the rights of groups, nominativity or anonymity of shares, workers participation on management councils and committees all these are among the most awkward items which are delaying the adoption of this proposal. We may hope, however, that the general discussions already underway will help to simplify and improve a project, whose implementation pre-supposes an effort towards approximation on the part of the minds involved, for which the Commission is striving unremittingly and which seems to be yielding some results.

However vital the adoption of a statute for the European Société anonyme may be, it does not settle all the problems encountered by enterprises interested in approximation. The European Company will be accessible only to Sociétés anonymes of a certain size. It will only be of interest to firms interested in overall integrations or setting up joint subsidiaries.

As regards less intense co-operations, transposition into Community terms of grouping by economic interest is being considered. This has had great success in France. A proposal is under current development, which would offer co-operative ventures of all kinds that cross frontiers a simple and straightforward juridical framework (joint production here is however excluded in order to avoid the problems hindering the adoption of the European statute for companies). This proposal itself the subject of widespread discussion could be submitted shortly.

Lastly, in certain sectors, the Commission already submitted to the Council in 1971 a proposal for facilitating the creation of joint Enterprises (anticipated in the European Treaty) within the conditions of the EEC Treaty.

The proposal covers two kinds of cases :

1. The co-operation, merging or creation of public services at Community level. Up to now the Community has not enjoyed the possibility of

establishing public decentralized systems, other than those provided by the treaties (the EIB, the Euratom supply agency). This gap complicates the creation of joint public services, whose value has however been recognized by Ministers of scientific research following the work of the PREST group (circulation of knowledge, meteorology, data processing, telecommunications). The adoption of the statute on joint enterprises offering great flexibility for financial and managerial organization and especially a suitable juridical basis would facilitate for instance the setting up of a joint agency among railway companies or for the administration of the waters of the Rhine basin without recourse to international agreements whose intervention entails longwinded procedures.

2. Co-operation between enterprises from at least two Community countries in the field of advanced technology or raw material supply, which offer exceptional interest on the European scale. In the last case, the statute on joint enterprises, as opposed to European Sociétés anonymes, would allow association of companies other than Sociétés anonymes.

Moreover, the statute on joint enterprises could be matched with the grant of certain juridical, excise and fiscal benefits. The Community could share in the financing of the joint enterprise, by suscription of capital, subsidies or loans. The Council would decide unanimously, case by case, on proposals by the Commission, which should suffice to avoid any risk of abuse. There would be no question of granting discriminatory advantages to joint companies, who would be carrying on their activity in a competitive sector.

The question of granting benefits or extra inducements to encourage co-operation over frontiers has been broadly discussed in the Community. Should a preferential fiscal system or loans with interest advantages be provided for this type of operation? Should an IRC for Europe be set up⁽¹⁾?

(1) British Industrial Reorganization Corporation, abolished in 1971

Up to now none of these suggestions has been retained by the Commission. The Commission has simply asked the European Investment Bank to direct more attention to projects emanating from the co-operation between various Member States.

Furthermore all the Member States have deemed it necessary to study the possibility of setting up at Community level a bureau for approximation of enterprises. This office, which could represent a service seconded to the Commission or spring from the professional organizations involved, would have the job of answering requests for information from enterprises wishing to engage in multinational co-operation, and the task of marrying, in a neutral way, the offers and requests for co-operation submitted to it. A decision on the creation of this office should come up soon. Up to now the balance sheet on the Community's actions towards encouraging approximation among enterprises cannot be regarded as satisfactory. Private financial organizations have indisputably displayed much greater initiative in this sphere. Likewise industrialists responsible for executing these transactions have escalated their efforts. But the Community regulations in the fiscal or juridical sphere, which would have facilitated decisive progress in the interpenetration of industrial structures, are still pending. It is becoming increasingly clear that fiscal harmonization and the formulation of European company law will only limp forward, unless the Community does not make solid progress towards political union.

III. Organizing changes and adaptations

The Commission has constantly emphasized the need for continual economic development, evolution and modernization of the industrial engine. The Commission is fully aware of the seriousness of the economic, social and regional problems posed by these changes. In its 1970 Memorandum, the Commission has insisted on a certain number of actions, which it thought were essential for preparing and facilitating these changes : forecasts : especially in the case of employment prospects, sectorial action,

regional and social policies being the most important.

In global and especially sectorial forecasts, little progress has been made by the Community in recent years. Insufficient and uneven statistics in our countries have brought about this situation. Improvement of statistical bases and forecasting techniques remain an urgent task for the competent institutes and agencies of the Community. The Commission has carried on working out the provisions devolving on it by virtue of the European Treaties : in 1971 the general objectives covering steel for 1971 - 1975 were adopted. The formulation of the second Euratom programme (1975-1980) will be finalized in 1972.

Within the scale of this report, it is difficult to outline even summarily, all the sectorial proceedings pursued by the Commission in close collaboration with the professional "milieux" involved. It is enough to recall that the efforts have a twofold objective; to improve the national sectorial policies and administrate knowledgably the instruments provided by the treaties.

In the sectors involved in problems of changes or promotion, the Commission, in recent years has undertaken in-depth analyses and proposed common guidelines to the Council. This has applied to shipbuilding, paper, the electro-mechanical industry, textiles and numerical machine tools. Work is in progress on Non-ferrous metals, electronics and aeronautics.

All the European treaties involve a series of measures or instruments influencing more or less directly the development of industrial sectors : regulation of the market, supply policy, financial instruments, commercial policy arrangements and the control of nations aids are the most importantes ones. Their implementation, especially in the case of commercial policy, has set off closely concerted action between the industries and trade unions concerning the objectives to be reached and on the necessary techniques for

success. I think it also worthwhile to recall that in the decisions on sectorial aid, the Commission took its inspiration from four principles :

- Aid must be selectively granted and only to enterprises or manufactures with a future and which will be able to face competition effectively;
- Aid must be temporary and non-progressive so as not to perpetuate an artificial situation. It must stimulate the dynamism of economic agents;
- Aid must be as straightforward as possible so that enterprises can appreciate and evaluate it easily and so that costs and results can be measured;
- Lastly aid must be tailored to the objectives in view and have the least possible ill effect on inter-Community competition and trade.

The current transformation of industrial structures involves very important changes in the employment conditions for labour. Progress in productivity releases workers in hundreds of thousands in some sectors, while new jobs are created in others. Globally up to 1971, the Community has suffered from a dearth rather than a glut of labour and current slackness does not seem likely to modify the situation other than temporarily. But due to the still insufficient mobility of labour and inappropriate localization of investments, painful problems over employment have arisen in certain mining or old industrial zones. At the same time the underindustrialized regions of the Community like the south of Italy and the west of France were far from sufficiently benefitting from the general expansion.

This kind of imbalance, which has obliged many workers to leave their homeland, does not involve only serious social disadvantages, but also slows up the economic development of the Community. These changes call for close attention. The Community will have to organize them and seek solutions beforehand, which will fit both the needs of men and the requirements of industrial progress, which are sometimes much more contradictory than one may imagine.

This is why the creation of the Permanent Committee on Employment and the reform of the European Social Fund resolved by the Council in 1971 constitute two cardinally important decisions from the standpoint of industrial policy. The new Social Fund will have at its disposal in the next few years increased funds reaching, in the estimation of the Commission, 250 million units of account per annum from 1975 onwards as against 55 million today. The Fund should thus be able to promote the professional training and regrouping of workers and in this way facilitate these vital changes as the ECSC very successfully accomplished in the coal and steel industries.

The action of the Fund should be accompanied by an intensive regional policy called for not only by Italy but also by Great Britain, Norway and Ireland. The Commission proposed that the Community budget should contribute to encouraging regional development by the intervention of the EAGGF and by allowances on interest, which would be a useful complement to the already important action by the European Investment Bank. A decision by the Commission has just been interposed concerning the new regional role of the EAGGF.

Maximum emphasis on the mobility of labour and encouragement for the creation of jobs, where labour is available to minimize geographical mobility represent the joint objectives of the industrial, social and regional policies, which the Commission intends

to promote within an overall concept allowing for the basic aim of European workers to find work in their home region.

These thoughts on the changes in our industrial economies also offer the opportunity to recall certain questions, which have already been deeply considered in the Community institutions.

The first concerns foreign investments. These investments, especially when they are aimed towards creating new activities, form a valuable contribution to the industrial expansion of the Community. Their attraction for regional development or technological progress has induced governments to often welcome them with favourable conditions. But these advantages must stay within the bounds, which can guarantee a healthy competition between investments by Community enterprises and those from foreign parts and not provoke detrimental discrimination against Community enterprises. Likewise these investments, which are often made by the very large enterprises must not involve abuse of a dominant position.

The importance of the role played by public enterprises in the modernization of industry and in the development of regions no longer needs proof. Their weight varies from one Member State to another. But in each case their contribution towards a happy evolution of industry can be decisive. In its frequent exchanges of views with these enterprises, the Commission takes care to see that their role, which is to serve general interests, is registered in the objectives of the Community. Moreover, when the activity of these enterprises takes place in the competitive sector, the Commission must ensure that they do not benefit from any special advantages.

In an industrial economy undergoing basic changes, it is justifiable to attend to the particular problems incurred by the small and average size enterprises during this evolution. No more than the big ones, the enterprises of more modest size cannot escape from the need for restructurization, redevelopment and evolution of their proportions and production. Sometimes less prepared or less well armed than the big industrial units for tackling these changes, the small and medium enterprises may need some assistance from public authorities, assistance all the more legitimate in that these enterprises are an essential ingredient in the industrial sector. In many fields of activity their contribution to the economy is irreplaceable. Their role in the process of innovation is cardinal. So the Community, while implementing its second medium term programme of economic policy, is also considering action for co-operation, financing and technico-administrative assistance for the benefit of those enterprises.

Finally it is impossible to bring up the problems of change and modernization without pausing a moment to consider management. The Community betrays a certain delay here, which only a co-ordination of current efforts in the European countries might make up. This was the meaning of the official stance of the Commission in its Memorandum on industrial policy, which advocates setting up a European Foundation for management and training.

Recent initiative has provided some answers to these problems. In 1971, the European Management Foundation was established, which brings together the various institutes and organs for co-operation existing in this domain within the European countries. The role of the Foundation is to improve the quality of teaching and research in management in consideration of the economic, social and cultural context of Europe.

The Foundation has to bring its aid to bear on the development of teaching and research instituts within European countries, on the development of training for teachers and researchers in managements, on the strong encouragement of contact between teachers and researchers, enterprises and administrations, and on the definition of needs and means to meet them.

Moreover, the European Institute of Research and Advanced Studies was recently established in Brussels, whose function is to ensure, on a multinational basis, the training of teachers for Europe at a high scientific level.

With the Institute for Technological Management set up in Milan by some of the member countries of the OECD, and International Institute of Management of Berlin, also international, whose activity bears on management research, Europe has strengthened its future means for executive training in this sphere.

IV. Scientific and technological policy

At the beginning of 1972, a scientific and technological policy for the Community is still only a hope. The serious difficulties besetting Euratom and the too limited results fo the PREST and COST groups could provoke scepticism. The need for an overall Community policy in this field is only more obvious. This joint policy does not necessarily mean joint action or joint financing by the Community. A joint policy is obligatory first of all to define economic, social, political even military objectives for research in order to take stock of the means disposable in staff, laboratories and money in order to fix the priorities and define the instruments best suited. One should distinguish between the basic, fundamental research, where co-ordination is sometimes futile, sometimes desirable, somestimes indispensable

(the big instruments) and the technological and industrial development which must make room for competition and meet the needs of the market. At this level scientific, technological and industrial policies are so inextricably mixed, that it is impossible to genuinely co-ordinate or jointly implement one of them without a minimum of agreement or co-operation on the others. After laborious efforts in internal reorganization and external consultation, the Commission is ready to draw on the lessons from the past (the failures and successes of the PREST and COST groups) and submit to the Council new proposals, which, if accepted, will serve as the foundations of a common European strategy for scientific and technological development.

We shall confine ourselves here to summarizing the features directly related to industrial policy.

The first concerns the definition of end results and the aims of scientific and technological efforts. Only an effort towards definition, whose difficulty should not be underestimated, can facilitate the direction of a policy and the judgements in arbitrations incurred by the excess of projects over the means available. Even the richest nations, like the United States, are obliged to resort to such arbitrations. The joint definition of objectives in the Community and at least in some of the areas, appears to be the necessary point of departure of a Community scientific and technological policy. Only if the choices are jointly made will agreement be reached on the sharing of tasks and co-operation. To define these end results and objectives the Commission has proposed to establish a permanent enclave for ideas and suggestions in the form of an European Research and Development Committee, made up of independent high-level experts, whose task will be to enlighten the Commission and Council on the choice of objectives and priorities.

The second feature concerns the implementation of a joint research policy at Community level : to compare and co-ordinate

programmes of national research in order to arrive at a better distribution of tasks and concerted action. The development of joint European research programmes, possibly supported by a European Science Foundation, the joint creation of massive instruments of research and exchanges of knowledge and researchers would be the essential tools of this policy, whose first fruits had been outlined and proposed by the PREST group, but which have not yet been tried out.

Action towards technological promotion is a third feature. Is such action necessary and efficacious? Are not competition and industrial dynamism the most effective driving force behind innovation? However vehement the debate may be on these points, all the industrial states and especially the Member States do not promote any the less some of the developments of their industries in the major technologies (atomics, aviation, data processing) and in the minor (food, textile and mechanical industries). Should not the means utilized at the national level be applied at the Community level for co-operative operations. And would not these means be more effective if they were pooled for the whole Community rather than scattered over national transactions? One of the difficulties in answering these queries is that the promotion of technology in order to be effective cannot be confined to support of Research-Development, but must also bear on the market, which must in some cases be stimulated or even created, and on industrial structures, which must usually be strengthened in order to exploit innovation. Put another way, American aeronautical development springs more from military and civil demand and from the existence of BOEING than to the aid granted for a project of specific aeronautical development. This is why the Commission has insisted vis-à-vis the governments, that action be taken at the three levels of development, markets and industrial structures.

On the plane of development the Commission has recommended systematic research on inter-Community co-operation financed or not by the Community. In the case of major technology, inter-government agreements seem today to be in the best position to solve the difficult financial, technological and sometimes political problems posed by the direction of very large projects. On the other hand, in the case of standard technology which does not raise the same problems and where concerted action has been disappointing, the Commission has proposed the establishment of Community development contracts for industry, which would afford partial support by subsidies re-imbursable against success, to the operations in technological co-operation between enterprises of different Member States. These projects could be placed in spheres of general public interest (in the campaign against "nuisances", in health or transport) or they could be concerned with the development of new products or new production processes. In the last case the initiative would revert to the industrialists. The granting of this aid, which would bridge a particularly deplorable gap, should follow a rapid and flexible procedure. Among the criteria to be considered should be the contribution by the projects towards the permanent creation of jobs in regions up against special problems in this area. A formal proposition on this matter should soon be made by the Commission.

On the plane of markets, the Commission taking up a suggestion by the French Government has proposed a pooling of public or near public purchasing policies to eliminate the technical compartmentalization of markets within the Community and to encourage the penetration of new products (telecommunications, data processing, aeronautics, infra-structure equipment etc.) This suggestion is under study.

The different proceedings, which we have just brought to mind should encourage approximation by enterprises and the necessary restructurizations. The development of the appropriate juridical instruments should be matched by an evolution in the attitude of governments towards accepting an increasing mutual interdependence in advanced technology. Thus competition over policy or prestige would give way to technical and economic competition.

Lastly as the fourth feature, the co-operation between certain national public services or the creation of joint public services within the Community could constitute an essential ingredient of a joint scientific and technological policy and facilitate the satisfaction of new needs at minimum cost.

The extension of the statute for the joint enterprise EURATOM discussed earlier would allow the creation of such joint services.

In these various areas the enlargement of the Community should provide a decisive impetus. The technological ties existing already or about to be formed between old and new members represent the best earnest of scientific and technological co-operation within the "Ten".

V. The environment

On 22 July 1971, the Commission issued a First Communication on Community policy concerning environment. In this document the Commission stressed, that the fight against the degradation of nature and all strata of life should henceforward be featured among the economic and social aims of the Community. Moreover, the Commission noted that the provisions made by the Member States in this field could have serious consequences for the working of the Common Market and on the unity of the European economic area. Having recalled the activities already underway on behalf of the Communities for the improvement and protection of the environment, the Commission proposed some new approaches, which should be implemented as soon as possible.

This initial communication was followed by an action plan for the European Communities concerning environment, which the Commission has just proposed to the Council of Ministers.

The plan provides firstly for the establishment of a common framework for evaluation, action and if necessary directives, to which the Community, the Member States and local administrations can always refer. To this end, it is proposed to set up an objective basis for the evaluation of pollution dangers to human health and the environment, to establish common health standards and to define joint objectives concerning the quality of the environment.

The follow-up after the application of these norms and objectives concerning sources of pollution (products or economic activity) and the special measures to be taken in certain areas of common interest and against certain polluting substances should be decided jointly. As a particular case, the Commission recommends setting up a European agency for the Rhine basin, which could be given the status of a joint enterprise.

Secondly, in order to combine national efforts and the sound progress of work undertaken at the Community level, the Commission proposes to set up a common information procedure foreseeing possible extension to the whole Community of emergency measures for environment.

Thirdly, to allow the Community to share actively in the work of international environmental organizations in such a way that the specific requirements of Europe are considered, the Commission suggests that the Member States get together and take joint action concerning environment within the compass of these organizations.

Lastly, the Commission recommends proceedings for developing scientific and technical knowledge in the sphere of environmental protection and improving the collation and circulation of knowledge within the Community.

These are, in brief, the indispensable measures, which the Community should adopt, if it intends to conduct a coherent and dynamic policy on environment. There is no question, and the Commission does not suggest it, of transferring to the Community level,

the bulk of the policies and action that the Member States have already adopted or are going to take up. But within an economic union it seems necessary to make available a common basis for regulations, at least for some sectors and certain products, in order to ensure a more effective protection of mankind and nature and to avoid the occurrence of technical obstructions and distortions of competition.

VI. The intensification of Community solidarity in relations with non-Member States

Since the presentation of the Memorandum on industrial policy, the negotiations on the accession of four new members to the Community have reached a happy conclusion. In its enlarged form the Community will consolidate its position as a prime commercial power in the world. Its responsibilities in regard to its industrialized partners, countries with nationalized trade and especially developing nations are greater than ever, whilst the difficulty in adopting common attitudes to different problems grows correspondingly with the number of Member States and the variety of their economic problems.

During recent months, the economic and monetary events which have shaken the world have allowed the Community, despite these temporary problems, to prove that it was sufficiently mature to carry out such a task in full consideration of the general interest. Indeed the risk of escalating protectionism was great. It still is. Such retrograde action would greatly prejudice the economies of industrialized countries. It would have very serious repercussions in the developing countries. In these circumstances the Community resisted the temptation of taking or even considering retaliatory measures. It has even accepted certain concessions without return. in consideration of the difficulties facing the United States. In doing so the Community has played the stabilizing rôle expected of it.

This trend will soon be confirmed by the accession, as associates, of a group of States formerly linked to some of the applicant countries.

In the same spirit the Community is negotiating with non-applicant members of EFTA in order to reach agreements, which will not prejudice their economies but strengthen the commercial ties between them and the Community despite the absence of common economic policies.

However, the fellowship of the Six, and later the Ten, will have to be shown not only in the multilateral and bilateral negotiations of 1973, within the framework of GATT, but also at the Conference on European Security and Co-operation. The Soviet Union especially should be persuaded to recognize her interest in recognizing the Community and co-operating with it, without the Community affording any guarantee whatsoever to the politico-economic protectorate, which still persists in eastern Europe.

One should also examine the desirability of replacing the so called auto-limiting agreements, which have arisen in some sectors, by a code of "good conduct", which would help to reduce the cyclic swings by diminishing the risk of obstructions to international trade. Such provisions would be specially valuable in the steel sector, where the market is subject pronounced cyclic ups and downs injurious not only to the iron and steel enterprises but also to the whole economy.

The activation of a joint commercial policy cannot ignore the problems incurred by the development of multinational companies. The activity of these companies has contributed a great deal to the progress and expansion of the Community economy. But the Commission, careful to forestall any abuse of a dominant position, is studying measures which should be considered, if need be, in order to ensure that the behaviour of these companies still conforms with the basic interests of the Community.

The Commission is also taking care that the Community enterprises have similar facilities for their investments in non-Member countries.

The recent monetary crisis and the persistent deficit in the balance of payments of the United States have given a new edge to the problem of foreign investments. It may seem abnormal, that the Community is holding on to considerable amounts of unconvertable dollars, whereas at the same time the American companies continue to invest in Europe, while Community companies invest much less in the United States. Among the criticisms provoked by this situation, that by American trade unions is by no means the least sharp.

If this situation was to persist, it would certainly lead to controlling measures on one side and protectionist devices on the other. We may also hope that steps will be taken on both sides of the Atlantic, so that, partially at least, dollar balances may be invested in America and thus share in reestablishing a mutually desired balance.

A more specific problem is assuming proportions, which may well cause apprehension namely the question of export credits.

Despite the efforts of the Bern Union, the Community co-ordination group and the OECD, credit periods everywhere are getting longer and longer and the allowances agreed on interest rates are continuously rising. This is an undesirable situation both for the importing countries, whose debts reach the point where the country's reimbursements will be beyond its capacity, and for the exporting countries, who have to pay from their own pockets for what they produce and supply other customers.

Obviously the nature of the problem varies according to whether the exports are shipped to industrialized countries, State organized economies or developing nations.

For exports to developing countries the problem is especially complicated, since the way in which the concept of aid is allied to that of commercial transactions is still not easily defined. This explains why, in the Community just as in larger spheres, the efforts towards setting up rules clear and acceptable to everyone are especially arduous.

On the other hand, credit for exports to developed countries and those with State organized commerce involves relatively simpler problems. Besides the agreements to be encouraged within the OECD and in anticipation of the Conference on Security and Co-operation in Europe, a common approach at the level of the Ten should be made. With this in mind the Commission is preparing a draft regulation, which could soon be submitted for the Council's approval.

As regards the harmonization of credit insurance procedures, the two policies covering medium and long term suppliers credit, one for private and one for public buyers, have been adopted by the Council in 1970. Their implementation, however, was subject to the solution of several related problems including the adoption of a common policy for purchase credits, a common scale of premiums and joint mechanisms on price and trade guarantees. The Commission made proposals notably on the last two points during the summer of 1971. However the study being undertaken by the different Council authorities shows, that on some matters particularly the question of price guarantees it will be difficult to reach rapid agreement. The Commission has also just taken up a directive, which will modify the application conditions of the two policies adopted by the Council in 1970 so that they may be applied this year.

Lastly, as regards research, the work by the PREST and COST groups will allow some international co-operation to get underway. If such an approach is accepted as a first stage, one must not shut one's eyes to the fact that it excludes any organized Community solidarity,

and will not have any real significance unless it paves the way for the development of a global strategy.

CONCLUSION

In sum, reviewing the whole problem of Community industrial policy leaves a patchy impression. Those who are optimistically inclined will emphasize the progress made in abolishing obstacles to trade, in shortly opening up the public works contracts, in greatly increasing international approximations. They will stress also the advances made towards initial agreements in research with the trend towards setting up European technological services, to which may be added the creation of the European Management Foundation and the Institutes in Brussels and Milan, not to mention the favourable reception of the Commission's proposals on environment. Those with a more gloomy turn of mind will lament the slowness of the Council's procedures, the number of proposals still on its agenda awaiting decisions, the tendency of some Member States to dispute the initiating and co-ordinating role of the Commission, the very slow pace of work in the scientific and technological fields proceeding on a far too broad extra-Community basis, the lack in many areas of any meaningful solidarity between Member States in their relations with non-Members.

Perhaps the most reassuring thing is the fact that the Conference of Heads of State and Governments to be held in October, has included industrial and technological policy and the institutional strengthening of the Community in its agenda. It is also satisfying to note the keen interest shown by the future members and more especially Great Britain in this side of the Community's activities.

This was therefore a well chosen time to draw up an initial balance sheet and outline some of the prospects.

In any discussion on the future of industrial policy one must note, that although after twenty years work by the ECSC, and then the EEC and EURATOM towards industrial growth, economic prosperity and social wellbeing considered in terms of income have been attained beyond all expectations, huge problems still remain unsolved, which vitally affect not only the happiness of Europeans but also to some extent the future of our civilization.

The new era heralded by the accession of the new members must be marked by a great effort to forestall the imminent rupture between industry and society and furthermore between the generations. To put industry at the service of mankind that is really the European Challenge. Today only western Europe can show the way for a world more than ever torn with doubt. Western Europe has managed to preserve freedoms, which are the envy of the Eastern bloc. She remains less affected by the social plagues of the post-industrial era hitting the United States and Japan. She has forged bonds of friendship and close co-operation with Africa. Her initial steps towards unity have provided a new dynamism. Thus western Europe seems capable of contributing to peaceful, logical and systematic progress both in her own interest and that of other peoples.

The powerful social forces represented at this conference should become truly aware of Europe's new opportunities and her new responsibilities.

To reconcile industry and society means first liberating the industrial worker from the evil spells still binding him; not only material squalour, which is still with us, but the moral poverty bred by monotonous jobs, the ever faster rhythm, conveyor-belt work, the inconveniences of transport, the harmful effects of city life and above all the lack of standing.

This means providing work for men near their birthplace and where their forefathers lived. Europe must not turn into a Far West of rootless people nor a melting pot drowning national and regional characteristics.

It means an economy directed more towards fulfilling the basic human aspirations : comfort and security at home, attractive towns to live in, a safeguarded countryside within reach, freely diffused culture unwarped by snobbery or "élitisme".

It means a Europe economically open to the world but running its own ship, its influence based not only on an incomparable heritage but also on the efficiency of its productive apparatus and its institutions.

And lastly it means a Europe relying on its own capabilities and devoting its new powers towards a more equitable distribution of wealth, the bringing together of peoples and the organization of peace.

These are the themes of the conference opening today at Venice
These are the tasks awaiting the Community.

ANNEXES TO REPORT NO. 1

STATUS OF THE WORK ON INDUSTRIAL
POLICY IN THE COMMUNITY

INTRA- AND EXTRA-COMMUNITY TRADE 1958 and 1969

EXPORTS

IMPORTS

(\$ millions)

Country	1958			1969			1958			1969		
	Total	"Intra"	"Extra"	Total	"Intra"	"Extra"	Total	"Intra"	"Extra"	Total	"Intra"	"Extra"
West Germany	8,807	2,406	6,401	29,052	11,571	17,481	7,361	1,896	5,465	24,926	10,862	14,064
France	5,121	1,136	3,985	14,880	7,118	7,762	5,609	1,227	4,382	17,222	8,690	8,532
Italy	2,577	608	1,969	11,729	4,938	6,791	3,216	687	2,529	12,450	4,818	7,632
Netherlands	3,217	1,337	1,880	9,965	5,992	3,973	3,625	1,518	2,107	10,991	6,250	4,741
Belgium (Luxembourg)	3,053	1,377	1,676	10,069	6,795	3,274	3,136	1,462	1,674	9,984	5,732	4,252
EEC	22,775	6,864	15,911	75,696	36,460	39,236	22,946	6,790	16,156	75,572	36,330	39,242
Britain	9,276	1,286	7,990	16,894	3,366	13,528	10,488	1,492	8,996	19,956	3,839	16,117
Denmark	1,267	395	872	2,958	681	2,277	1,359	484	875	3,800	1,275	18,642
Norway	743	202	541	2,203	561	1,642	1,309	463	846	2,943	792	2,151
USA	17,751	2,428	15,323	37,444	6,669	30,775	13,208	1,657	11,551	36,052	5,800	30,252
Japan	2,887	124	2,763	15,990	968	15,022	3,033	149	2,884	15,024	821	14,203

Source: SOEC. Basic statistics of the Community.

Gross value added at factor cost in manufacturing industry

	1969				1970			
	Gross value added at factor cost		Total employed (thousands)	Value added at factor cost per employee %	Gross value added at factor cost		Total employed (thousands)	Value added at factor cost per employee %
	in national currency	in \$ million			in national currency	in \$ million		
West Germany	DM 211,030 million	53,581	10,222	5,242	DM 245,870 million	67,178	10,511	6,391
France	-	-	-	-	-	-	-	-
Italy	Lit 12,746,000 million	20,394	5,802	3,515	Lit 14,901,000 million	23,842	5,957	4,002
Netherlands	-	-	1,308	-	-	-	1,318	-
Belgium ¹	Fb 304,600 million	6,092	1,205	5,056	Fb 341,700 million	6,834	1,232	5,547
Luxembourg	Flbg 18,431 million	369	-	-	-	-	-	-
Britain	£13,220 million	31,728	9,065	3,500	£14,551 million	34,922	9,053	3,858
USA	\$237,300 million	237,300	20,577	11,532	\$234,200 million	234,200	19,741	11,864
Japan	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-
Norway	Nkr 17,331 million	2,426	3,889	6,237	Nkr 19,630 million	2,748	400	6,870
Denmark ²	Dkr 28,375 million	3,783	601	6,295	Dkr 31,580 million	4,211	-	-

¹Excluding garages.

²Including repairs, maintenance and charges on land and buildings.

Wages and salaries in manufacturing industry

	1969				1970			
	Total wages and salaries paid		Total employed (thousands)	Wages and salaries paid per employee %	Total wages and salaries paid		Total employed (thousands)	Wages and salaries paid per employee %
	in national currency	in \$ million			in national currency	in \$ million		
West Germany	DM 130,070 million	33,025	10,222	3,231	DM 155,180 million	42,399	10,511	4,034
France	-	-	-	-	-	-	-	-
Italy	Lit 8,097,000 million	12,955	5,802	2,233	Lit 9,972,000 million	15,955	5,957	2,678
Netherlands	-	-	1,308	-	-	-	1,318	-
Belgium	-	-	1,205	-	-	-	1,232	-
Luxembourg	-	-	-	-	-	-	-	-
Britain	£9,504 million	22,810	9,065	2,516	£10,673 million	25,615	9,053	2,829
USA	\$180,112 million	180,112	20,577	8,753	\$181,654 million	181,654	19,741	9,202
Japan	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-
Norway	Nkr 10,896 million	1,525	3,819	3,920	-	-	400	-
Denmark	-	-	-	-	-	-	-	-

Overall indices of industrial production

(excluding buildings) 1958 = 100

	1958	1962	1965	1966	1967	1968	1969
West Germany	100	133	156	159	156	174	197
France	100	122	140	149	153	158	178
Italy	100	148	167	186	203	216	221
Netherlands	100	134	163	173	182	201	225
Belgium	100	126	147	151	153	162	178
Luxembourg	100	113	125	120	122	127	144
EEC	100	130	152	160	162	175	195
Britain	100	114	132	135	135	143	148
Norway	100	125	153	159	166	174	182
Denmark	100	138	166	159	166	174	182
USA	100	127	153	168	169	177	185
Japan	100	191	255	289	345	404	472

Source: Basic statistics of the Community 1958/69 and 1970.

