

EMBARGO: 13.00 HOURS, MONDAY, OCTOBER 26, 1981

October 26, 1981

A FRESH IMPETUS FOR THE COMMUNITY

European Commission presents detailed proposals on Community policies

Mr Gaston Thorn, President of the European Commission, introduced in Luxembourg today (October 26) the detailed proposals which the Commission has been working out to fulfil the 'Mandate' given by the Council of Ministers last year as part of the three-year agreement over Britain's budget payments.

The Commission outlined its proposals last June 24, when Mr Thorn said that the only possible answer to the problems of today was to lose no time in laying the foundations for Europe of the second generation.

This response embodied the Commission's conviction, then and now, that the only way to preserve the Community heritage is to build it up, and that the European dimension and Europe's potential make it perfectly possible for the Community to surmount all its problems, provided that the member states take more resolute action to give practical expression to their solidarity.

THE DETAILED PROPOSALS

In its June report, the Commission deliberately addressed itself only to broad policy directions. From July to 26 October, the Commission has been drafting additional texts which spell out the operational thrust of these broad approaches; and has now sent to the Council a set of practical proposals that range from both general strategies to the particulars of operations, as the problems variously require.

DEVELOPMENT OF COMMUNITY POLICIES (other than c.a.p.)

These proposals cover:

- general economic policy: the fifth medium-term economic policy programme (and the preliminary draft) (1);
- the strengthening of the internal market (2);
- a strategy for industrial renewal (3);
- an energy strategy (4);
- a policy for technological innovation (5);
- a scientific and technical research policy for the 1980s (6);
- action to create employment (7);
- regional policy guidelines and priorities (8);
- a regional policy based on a recast Regional Fund (9).

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(1) COM(81) 344 P-48  
(2) COM(81) 572 P-63  
(3) COM(81) 639 P-71  
(4) COM(81) 540

(5) COM(81) 620 P-66  
(6) COM(81) 574  
(7) COM(81) 638 P-72  
(8) COM(81) 152 P-47  
(9) COM(81) 589 P-65

COMMON AGRICULTURAL POLICY (1)

Policy approaches are set out for production and price objectives for the main products, the operation of intervention systems; direct aids to incomes and national aids, together with an active policy for agricultural exports.

A report is also included on the policy approaches underlying the programmes to be drawn up for the Mediterranean regions (2).

THE BUDGET

The Commission cannot finalise its proposals on the budget until the Council has considered the other matters, but it plans to provide a complete picture of the problems for the European Council in London on November 26 and 27.

A selection of the relevant documents are provided in the attached dossier; the remainder will be available from this office.

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(1) COM(81) 608 P-69  
(2) COM(81) 637 P-70

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**INFORMATION · INFORMATORISCHE AUFZEICHNUNG · INFORMATION MEMO · NOTE D'INFORMATION  
ΠΑΡΟΧΟΡΙΑΚΟ ΣΗΜΕΙΩΜΑ · NOTA D'INFORMAZIONE · TER DOCUMENTATIE**

Brussels, October 1981

REFORM OF COMMUNITY REGIONAL POLICY:  
RECASTING THE REGIONAL FUND REGULATION <sup>1</sup>

The Commission has sent to the Council a new proposal for a Regulation concerning regional policy in general and the activities of the European Regional Development Fund in particular. The text translates into practical terms the new general criteria for Community regional policy which the Commission adopted last July on the basis of the First Periodic Report on the situation and socio-economic changes in the regions of the Community, having earlier unveiled them in broad outline in its Report on the Mandate of 30 May 1980.

the proposal heralds important innovations: greater geographical concentration of grants, a switch from individual project financing to the financing of programme contracts, aid for intangible investments by small and medium-sized businesses, an expanded non-quota section, a greater role for the regional authorities and the coordination of national and Community regional policies.

New arrangements for the quota section

Geographical concentration

The Commission proposes that grants from the Fund's quota section should no longer be allocated among all the Member States on the basis of national quotas (a mechanism often criticized for having a "sprinkler effect") but should be concentrated in the Community regions suffering particularly serious structural problems, these regions being identified in the light of Community criteria based on the findings of the Periodic Reports on the situation and socio-economic changes in the regions. This system of allocation would be both more European and more responsive to regional needs.

Assistance under the quota section will go to the following regions: the whole of Ireland (quota: 7.31 %), Northern Ireland, parts of Scotland, of Wales and of the North and North West of England (29.28 % in all), the Mezzogiorno (43.67 %), the whole of Greece except Athens and Thessaloniki (15.97 %), Greenland (1.30%) and the French overseas departments (2.47%). These regions were selected on the criteria of per capita GDP at current prices and exchange rates and long-term unemployment: those regions with an index

<sup>1</sup> COM(81)589

figure of less than 75 (100 = Community average) were chosen.

The quotas for the other regions will be increased by the proportional redistribution of the former quotas for those countries that will no longer receive assistance under this section of the Fund.

#### Programme contracts

At present, the Fund's quota section makes grants for individual investment projects. The Commission proposes that this system be gradually replaced over a three-year period by the financing of programme-contracts, which may concern infrastructure programmes as well as State aid schemes for private firms. The contracts, which would normally cover a period of several years, would be concluded between the Commission and the Member State concerned. This new arrangement, which is already applied in the non-quota section, will enable Fund operations to be more closely dovetailed with the overall development approach in a particular region and will make for greater operational consistency; it will facilitate coordination between regional policies and between those policies and Community regional policy; and it will provide a better guarantee that Fund grants are used to "top up" national aids since the regional authorities will have a clearer idea of whether financial assistance comes from a national, regional or Community source. Lastly, the financing of programme contracts will ease the administrative workload since the hitherto growing number of individual applications for Fund assistance (some 3 300 in 1981) will fall significantly.

#### The regions' own growth potential

Under present economic conditions and given the current employment situation, it is becoming increasingly difficult for regional policy to rely solely on new industrial investments by large companies from outside a particular region. For this reason, it is also necessary to strengthen the regions' indigenous development potential, in other words to encourage growth activities that are already under way or can be launched locally. A strategy of this kind will embrace small and medium-sized businesses, rural tourism and the artisanat, and the emphasis is on know-how and attitudes rather than on bricks and mortar.

The Commission is thus proposing a wider range of operations under the Fund's quota section. Apart from certain feasibility studies, this section could until now be used to promote only physical investments. Under the new Regulation, grants will be available for intangible investments such as sectoral or market studies, improvements in business management, the introduction of services to be used jointly by several businesses and the dissemination of information on modern techniques. Measures of this kind are already catered for by the non-quota section, and a similar approach is needed under the quota section.

#### A larger non-quota section

##### Declining industrial regions

The Commission is proposing a wider range of measures under the non-quota section. Until now, the measures financed have served as a back-up to other Community policies, either in order to mitigate their negative effects in certain less-favoured regions or in order to reinforce such policies and enhance their regional impact. The Commission considers that more must now be done. Since operations under this section are not subject to geographical limitations, it could be used to tackle serious problems engendered by the economic crisis, not necessarily occurring in the structurally underdeveloped

regions. The Commission therefore proposes that aid under this section should also be directed to areas in which the recession has caused a decline of industry of alarming proportions. Action is needed in those areas to encourage new economic activities that would provide jobs for workers made redundant in traditional industries.

#### Financial resources

The non-quota section currently accounts for 5% of the Fund's resources. The Commission is proposing that this share be increased to not more than 20%, with the appropriations being decided upon each year under the standard budget procedure. Its intention is that this new method of allocating the Fund's resources should make the Fund a more flexible tool for tackling particular regional problems outside the quota arrangements.

#### Simpler decision-making procedure

The Commission is also proposing a more straightforward procedure for approving operations under the non-quota section, in that in future the Commission, and not the Council, would take the grant decisions.

#### The regional authorities

The regional and local authorities do not at the moment have a formal say in the drafting of Community regional policy or in the selection of projects or programmes for Fund assistance. The Commission is proposing an improvement: the regional development programmes, in which the national governments list the regional problems they face and set out their regional policy intentions, should in future be drawn up in close association with the regional authorities concerned. Similarly, it is proposed that programmes submitted for Fund assistance under a programme contract should be prepared jointly by the national governments and authorities concerned. A change is also proposed for the payment of grants: until now, the Commission has handed these over to the national governments, which have either passed them on to the investors concerned or retained them in repayment of advances made by them to investors. The Commission proposes to pay future grants for infrastructure investments direct to the public authorities commissioning the work, and in many cases these will be the regional and local authorities.

#### Coordination of regional policies

The Regulation will include two articles laying down the rules governing coordination between national regional policies and between those policies and Community regional policy. This will be a new departure. The present Fund Regulation says nothing in this connection, even though policy coordination is already a key feature of Community regional policy. The Council defined the coordination instruments in a 1979 resolution. The innovation here is that coordination of regional policies will be embodied in a regulation and thus will have both a legal basis and a formal sanction of its importance for the effectiveness of regional policy and of the Regional Fund: for without it there cannot be a balanced distribution of economic activities throughout the Community, particularly as the bulk of regional development financing comes from the Member States' own coffers. The Fund on its own could not rectify the regional imbalances at Community level.

Regional policy coordination is based on multiannual regional development programmes submitted to the Commission by the Member States, on the Periodic Reports on the situation and socio-economic changes in the regions of the Community and on an assessment of the regional impact of Community policies. Coordination of national regional aid schemes is also a major feature.

JOB CREATION: PRIORITIES FOR COMMUNITY ACTION

Twin priorities for an EEC policy for employment creation:

- the problem of youth unemployment and the transition from education to adult working life;
- the employment potential of small and medium enterprises.

The Commission's communication thus suggests a series of policy measures set within these two areas, while acknowledging that employment creation must flow first and foremost from the restoration of Community-wide economic growth, as indicated by the joint Council of Employment and Finance Ministers held in Luxembourg June 11 last.

1. An employment policy for the young

The highest priority must be the young. Unemployment among people under 25 has reached an appalling level as a result of the general economic crisis sharpened by the results of the 1960s' demographic surge. In response to this situation, the Commission recommends a two-part approach:

- a) For the 16 to 18 age group: the Commission notes the inadequacies of existing vocational arrangements, and emphasises preparation for working life. The Commission proposes a medium-term strategy whose objective is to ensure that within five years every young person under the age of 18 in the Community is guaranteed education, training or work experience as an alternative to unemployment.
- b) For the 19 to 25 age group: the emphasis is on facilitating entry into the labour market via a wide range of job creation measures. These could include selective recruitment subsidies, forms of managing working time, and training workshops fostering the creation of small businesses.

2. Bolstering the job potential of smaller business

The contribution of small and medium-sized firms, or indeed cooperatives, both to job creation and to industrial innovation, a potential already recognized by the Commission, must be assisted. Obstacles restricting the full realisation of this potential - lack of access to new information technologies, lack of status with financial institutions, difficulties in exploiting government contracts and export markets - must be removed. With this in mind the Commission recommends:

- national and local authorities should help ensure sufficient investment for new small business formation;
- improving the access of small business to finance for expansion and innovation;
- a programme to encourage dissemination of new technologies, especially to smaller businesses;
- encouraging better appreciation of the process of developing new enterprises.

In conclusion, the Commission stresses the financial resources necessary to support the job creation programmes, and in particular a strengthening of the Social Fund; the need to concentrate resources in the worst-off areas; to enable existing funds to finance a wider range of measures; and to promote integrated operations both locally and regionally via a combination of Community instruments. Finally, the need for a programme approach to the job creation challenge as between member states is underlined by the Commission.

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## GUIDELINES FOR EUROPEAN AGRICULTURE

### Introduction

After twenty years of existence the common agricultural policy must be adapted so as to take account both of the changed economic situation and of developments within the agricultural sector.

The memorandum which has been sent to the Council spells out in greater detail the guidelines for future decisions in this sector laid down in the Commission's report on the Mandate of 30 May 1980, and indicates how the guidelines for prices, production targets, producer participation and trade should be applied to the main agricultural commodities.

It goes without saying that any changes must respect the basic principle of the CAP as well as enabling the Community to honour its obligation under article 39 of the Treaty to ensure a fair standard of living for the farm population. Furthermore, there can be no question of imposing an artificial limit on agricultural production, but merely of setting production targets beyond which the price guarantee would be reduced or adjusted in the most appropriate way.

### Specific recommendations

For each of the main agricultural products the Commission has examined the market situation and forecasts for the period up to 1988, and in appropriate cases it suggests production objectives.

The path towards these long-term objectives will be marked by the annual decisions on agricultural prices, at which the Commission will propose appropriate objectives for each year, taking account of the market situation and prospects for the following five years. If production exceeds the objective, producers cannot expect to obtain the same guarantee for their products, and should participate in the costs of disposal.

The Commission considers that for cereals there should be a reduction in the gap between the prices of the Community and those of its main competitors: this means a progressive alignment of Community prices with the support price accorded to cereals producers in the USA, which in a recent period were about 20 per cent lower. The global production objective for cereals for 1988 is 130 million tons, compared with production of 118 million tons in 1979/80; if production exceeds the objective, the intervention price for cereals would be reduced.

The reduction of cereals prices in real terms, and relative to other products, will in time reduce the volume of imports of cereals substitutes (manioc, brans, corn-gluten feed, etc.) for use in animal feed; because of the price advantage enjoyed by these substitutes, their imports have grown rapidly in recent years, displacing Community cereals from the market and imposing an additional cost on the budget. For the short and medium term, to avoid further difficulties on the market, the Commission proposes the opening of discussions with suppliers of cereal substitutes for agreements to ensure that imports do not exceed present levels.

For the durum wheat sector, the Commission has also proposed that the special production aid should only be paid for the first 10 hectares, in order to ensure that the budgetary resources are concentrated on the poorer farms.

The Commission considers that for milk the objective should be that deliveries to dairies should not increase more rapidly than consumption within the Community, which in current conditions is of the order of 0.5 per cent a year. The measures for producer participation should be reinforced in the following way:

- (a) the existing coresponsibility levy should continue at the rate of 2.5 per cent but with an exemption of the first 30,000 kg of milk for all producers; this exemption will aid the small farms;
- (b) a supplementary levy should be introduced to cover the cost of disposal if milk deliveries increase more than 0.5 per cent; the levy would be applied to dairies who in turn would apply it to individual producers on the basis of their additional deliveries; additional milk used for unsubsidised products (drinking milk, fresh products) would be exempted;
- (c) there should also be a special levy on milk produced by intensive methods of production.

Other measures in the milk sector should include the modification of intervention for milk powder, and the improvement of quality standards. There should be more balanced arrangements for imports of butter from New Zealand.

For beef, the Commission considers that the objective must be to ensure that the average increase in production does not exceed the increase in consumption. This implies an objective of 7.6m tons in 1988 compared with 7.2m tons in 1980. A prudent price policy is necessary, since further price increases would divert consumption to other meats. The various premiums paid to producers should be re-examined, with a view to supporting the incomes of specialist beef producers through a direct aid. The intervention system should be adjusted.

The Commission considers that production objectives should be fixed for tobacco where the accent should be put on discouraging varieties for which there is no market. Production objectives should also be fixed for processed tomatoes, apples, and colza. For olive oil, there should be better control of the system of aids and intervention. For wine, the objective should be to avoid any increase in the gap between production and consumption. Since the quota system for sugar has just been renewed for 5 years, the Commission does not consider that new objectives are necessary in this sector. Finally, in the pigmeat, eggs and poultry sectors, the Commission thinks that new measures are not needed for the time being.

#### Other recommendations

The Commission intends to tighten up its supervision of the implementation of Community legislation. This will require both increased national staffs and the establishment of a team of Commission officials with independent powers. Sectors where such control is needed include the fruit and vegetables sector (quality standards and price recording), cereals and beef (quality criteria for intervention), skimmed milk powder (aids for incorporating in animal feed), olive oil (producer aids) and wine (use of sucrose and planting restrictions).

The Commission has considered the possibilities for introducing new measures for direct aid to the incomes of agricultural producers, or for adapting the aids which already exist in a number of sectors. It concludes that this could be done in the case of milk, through the proposed exemption from the coresponsibility levy, and for beef through an aid for specialised producers. In this way the Community's effort would be concentrated on the smaller farms. The Commission considers that the future extension of direct aids should be seen in the context of the development of agricultural prices and incomes, taking account of the annual decisions on agricultural prices and other measures, and of the budgetary situation. It may, if necessary, propose the introduction or adaption of direct aids in other cases.

As regards national aids, the Commission is concerned that, in certain cases, member states have not respected the procedures laid down in the Treaty and have paid aids which distort the common market in agriculture. In future the Commission will impose a stricter discipline by imposing legal and financial sanctions. It will also propose a more precise framework for the definition of types of aid.



In addition to measures designed to reduce market imbalances, the Community will have to strengthen its socio-structural policy, concentrating the available resources on the less favoured farms and areas where the need is greatest. However, the Commission feels it must first assess the results of the operations currently under way before making new proposals or seeking increased budgetary resources. Measures should also be taken to improve product quality, processing and marketing, to encourage the reorientation and diversification of production as well as the introduction of new products and production systems, and to increase the role of agricultural research and advisory services.

As regards alternatives to the production of surplus commodities, the possibilities are at present limited and over only very minor products, though it would be possible to envisage an expansion of production of peas and field beans, which supply proteins for animal feed. However, the improvement of existing forests and more afforestation would make more efficient use of marginal agricultural land, supply raw materials, relieve the balance of payments and improve the environment.

Further research is also needed into alternative sources of energy for agriculture, as well as into the possibility of using certain agricultural products as a source of energy.

### Conclusion

In conclusion, the Commission considers that the common agricultural policy must continue to be based on the following three instruments:

- market organisations to provide the economic framework;
- structural aids to help farmers adapt;
- direct income aids in special cases.

The guidelines laid down by the Commission should provide a basis for the adaption of the CAP in the coming years and enable the Community institutions to take decisions in a long-term perspective. The fixing of production objectives, and the introduction of measures of producer participation if these objectives are exceeded, will make producers more aware of the realities of the market than they have been in the past, and will relate the Community's support of agricultural production to those quantities which it is in the Community's interest to produce within its frontiers, taking account of the requirements of consumption, international trade, and the necessary effort to combat hunger in the world. This should, in turn, permit agricultural spending in future to continue to grow less rapidly than the Community's own resources.

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COMMUNITY INDUSTRIAL STRATEGY

1. Industrial policies in the Community should encourage the creation and the development of companies which operate on a European scale and whose activities here are an integral part of their overall company strategies.

This is the main conclusion of the report which the Commission has just sent to the Council on industrial strategy in response to the 30 May 1980 mandate to review and strengthen Community policies as a whole.

2. A major obstacle to industrial investment and competitiveness in the Community is the predominantly national structure of industrial enterprises on the one hand and the extent of and contradictions between national industrial policies on the other.

This situation has to be changed if European industry is to measure up to the international challenge of American economies of scale and Japanese technology. Unless the Community has an industrial strategy of its own, equal to that of the other industrialised areas and to that of the major international companies, we will be obliged to continually adjust our industrial structures to the strategies of others.

3. In this context national industrial policies may be well intentioned but are often misconceived. In so far as they are often discriminatory and tend to create supplementary obstacles to the integration of the domestic market, they are part of the problem.

4. An important objective in the short term for the Community is to learn how to formulate and implement industrial strategies at the Community level. The Commission envisages:

- an active public service role of providing industry and governments with in depth analysis and current data on industrial developments in Europe and abroad;
- better consultation between governments and the Community on industrial policies:
  - in general by enlarging the Economic Policy Committee's responsibilities and membership to include industrial affairs;
  - on specifics by instituting a system of advanced information and discussion of new measures, for example technical standards;
- better consultation with and between industry: the round table of leading industrialists is a proven arrangement for such a thorough, but non-binding exchange of information and views, particularly in preparing industrial R and D priorities.

5. In implementing these strategies, the Community should give preference to European companies. This must be an effective alternative to existing discriminatory national preferences. These advantages would come through the active internal market policies which the Commission has already proposed, through public purchasing policies and through the implementation of other Community policies.

6. In the first instance, however, the Council should act on the Commission's proposals for energy and research and development which are the foundation for industrial investment and competitiveness in the future.

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## MEDITERRANEAN PROGRAMMES

### Introduction

In its report on the Mandate of 30 May, the Commission undertook to prepare Community programmes for the Mediterranean regions and to present them to the Council and Parliament by the end of 1982.

It has now adopted a paper incorporating the broad policy lines for these programmes, which are to be worked out in conjunction with the local and regional authorities and presented to the Council and Parliament before the end of 1982.

### Action guidelines

If the Community is to develop in a balanced way, vigorous action will have to be taken to enable its less-developed regions to catch up as much as possible. The regions of the Mediterranean are a special case, not only because of their level of development but also because their economies are so specific. For reasons of structural and natural features, they have been less able than other regions to take advantage of the process of European integration and of the Community's policies. And as agriculture accounts for such a large percentage of the regional GDP and employment, they are also very vulnerable to the effects of the enlargement process now taking place and of future developments in Mediterranean policy.

The policies designed to assist these regions to catch up are related to the other policies of the Community and the need for a coherent approach in all that the Community does. The Community's contribution will therefore take the form of "integrated operations" worked out in close cooperation with the national and regional authorities concerned.

The two basic objectives of these operations must be to increase the income of the local population and to improve the employment situation.

In agriculture, it should be possible to improve income by intensifying production and by finding alternative forms of production. However this must not lead to the development of further structural surpluses of Mediterranean products.

The important role of non-Mediterranean products in the agriculture of these regions must also be recognized.

The agricultural situation calls for action to improve both market organization systems and structures. The aim is always to achieve a balance between the regions of the Community as far as the effects of the CAP are concerned, taking into account their own individual characteristics.

There are many courses of action available, both as regards the market (encouraging production, "a natural production" labelling policy, stimulating consumption, improving the application of Community preference schemes, a more effective export policy) and as regards structures (better organization of farmers, income subsidies until the employment situation improves).

Most important among the non-agricultural sectors where practical shorter or medium-term action could be taken is the agri-foodstuffs industry, which should be encouraged to settle near areas of agricultural production and to introduce a system of contracts to guarantee supplies for the industry and income for the producers.

The structure of the fisheries sector could also be improved, as could cold-storage and processing. The development of aquaculture is another possibility. Promoting tourism, particularly in rural areas, and craft industries should also create jobs, and above all new jobs, which would tie in neatly with plans to maintain part-time agriculture. Although these regions are not very rich in the conventional energy sources, they are well suited to the development of new energy sources: solar energy, biomass and geothermal energy, but this will require capital, promotion and knowledge which most of these regions cannot provide.

The majority of these projects are within the scope of small and medium-sized undertakings, which form the non-agricultural core of these regions. If the best possible results are to be achieved, conditions must be made as favourable as possible to encourage investment. This being the case, action must be taken to cut costs and make credit more easily obtainable.

In order to provide the proper framework, not only should infrastructure (transport and research) be improved, but something should also be done to remove the obstacles from which these regions in particular suffer, namely the management capacity of local authorities and the lack of private initiative.

In order to implement these integrated operations, the Community will have to use the various resources and funds at its disposal (the EAGGF, the ERDF, the Social Fund, the EIB and the NCI). If they are implemented rapidly and with determination, a combination of these various measures should allow the whole Mediterranean area of the Community to begin to catch up with the rest of the Community.

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