

EUROPEAN COAL AND STEEL COMMUNITY
EUROPEAN ECONOMIC COMMUNITY
EUROPEAN ATOMIC ENERGY COMMUNITY
COMMISSION

**Address by
Mr. François-Xavier Ortoli,
President of the Commission
of the European Communities,
to the European Parliament**

*Presentation of the
General Report for 1974 and
programme of the Commission for 1975*

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PROVISIONAL EDITION

The Commission has no intention of painting you a rosy picture of Europe today.

But it refuses to be unduly pessimistic. In the last six months Europe has become a little less blind, a little less lethargic. I feel that it is only right to begin by listing four areas where progress has been made :

Firstly, the reality of economic interdependence has been recognized. The strengthening of our consultation arrangements is a precursor, however timid, of the harmonization of national economic policies, of a systematic effort to make them compatible and complementary. It marks the beginnings too, as was recently shown in Washington, of a united stand on economic and monetary matters.

Secondly, the creation of a Regional Fund, the establishment of Community loan machinery and the development of the Social Fund have put some flesh on the bones of the Community's economic and social policies, given some form to the idea of solidarity to which little more than lip-service has been paid in the past.

Thirdly, Europe now has a policy on development in the Third and Fourth Worlds. It is a real policy, with clear aims, ambitious and versatile instruments. Our stubborn determination to get it off the ground is one of the most satisfying features of our public image.

Finally, the Paris Summit Conference provided evidence of a firm desire to fight against the debilitation of Europe's institutional structure and to fill the political vacuum

created by a lack of authority, by a lack of any real motivating force. It is a direct cause, to my mind, of the new vigour the Council seems to have acquired.

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Progress has been made; daylight is beginning to show at the end of the tunnel.

But let me say, clearly and unequivocally, that it is vital for Europe to aim for success of a different kind if it is to achieve the unity and independence it is seeking. On the real issues Europe stumbles and slips downhill. We are losing our independence; we are lowering our sights; our institutions are **failing** in important areas.

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Europe's real problem is independence, control of its own destiny. And it has been losing ground on this front for the last fifteen months.

There are of course reasons for this.

For thirty years or so Europe was happily able to ignore the unpleasant fact that its energy and raw material resources were limited. There is no avoiding the truth today. The centres of political and financial power have shifted. Our dependence is physical, as the embargo showed us, but it is more than that. It is economic, since our structures have undergone a radical transformation. It is

monetary, since we discovered overnight that we can only pay our bills by a transfer of resources, of the fruits of our labour. Borrowing, a hazardous process in itself, can only postpone the evil day. These are hard facts to face.

And there is another aspect which must be recognized. The United States has energy and raw material resources on a continental scale. It is natural that it should want to exert all the influence of its increased dominance in a difficult and unstable situation.

But we must not deceive ourselves; if we have become more dependent, if our freedom of action has been curtailed, we ourselves are the main culprits. It is our fault that we are unable to pursue a clear policy, unable to make our presence felt in the enormous diplomatic jungle where our future way of life is being evolved. Again, it is essentially our own fault that it has not proved possible to establish relations with the United States on an equal footing. Our attempts to speak with a single voice on vital issues - I am thinking in particular of the Washington energy conference last February - have failed miserably. For every area of agreement - the recycling of petrodollars for example - there are many others in which dissension, indeed quarrelsomeness, have ruled us out of a game in which the stakes are Europe's interests and Europe's future.

Europe has not taken her rightful place in the forums where decisions - on world peace, on economic development - are taken. This pains and saddens me.

But more serious perhaps is the fact that we have abandoned our ambitions. Over the years we have lost sight of the ideal which inspired the Treaty of Rome: the pooling of sovereignty where this would allow us to shoulder our responsibilities more effectively at home and abroad. Our joint endeavours are now marginal; our commitments to each other are more and more superficial, more and more ephemeral.

How far have we got with a common energy policy, with harmonization of tax systems, with the pooling of resources, with a single approach to economic and monetary issues at international level? If we were starting from scratch today would we be prepared, as we were in 1958, to allow Europe to fix agricultural prices, to manage agricultural markets, to handle commercial policy, to control competition policy? Need I remind you that these major achievements date from a time when the principles, structures and powers of Europe were debated with greater vigour than they are today? We have lost our nerve, we have lost our vision.

There is a third important factor in the near-collapse of our institutions, analysed by this House on many occasions. The decision taken by the Heads of our Governments in Paris last December to meet regularly as the European Council is an attempt to remedy the situation. It may respect the letter of our system but it represents a major change in spirit and may, if we are not careful, shake the institutional structures set up by the Treaties to their foundations.

If this major innovation increases Europe's ability to take decisions; if it produces real policies which eliminate the artificial

distinction between the Community approach and political cooperation approach; if it widens Europe's field of action; if it respects the strictness of Community rules which is the very source of their dynamism, then we will have gambled and won!

But we could lose. Let us not close our eyes to the danger that force of circumstances, a lack of courage, confusion as to who is responsible for what, expediency, may tempt us to choose the low road of inter-governmental cooperation when we should be taking the high road of integration.

We must therefore take a chance and shorten the odds. But this means that the Commission must be true to its refound political vocation.

The Commission must adapt its modus operandi to the new system in which ideas will come from the top. It must insure against the risks involved - for risks are involved - by converting Member States to its conviction that the real answer to the major problems facing them lies in the collective Community solutions implicit in the construction of Europe. It must make vigorous and incisive use of its power of initiative when choices which are decisive for Europe's future are being made. It must not betray its own ideals.

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This awareness of our role, this profoundly political attitude, this ambition to get Europe to change gear and direction, have inspired the programme I am about to present to you. It is an overall

programme which we believe could herald a new phase in the construction of Europe.

I propose to indicate the main lines of action under five main headings; the memorandum you have already received will fill in the details.

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1. Our first objective must be to make Europe less dependent.

Europe is losing control of its future since the number of economic, financial and political centres of decision outside our Member States and outside our Community is growing apace.

Our dependence is increasing on two points.

Firstly, we have little or no control over the main factors of our economic life. This is true of energy supplies but, for a number of Member States and for the Community as a whole, it is also true of the monetary resources needed to cover our essential requirements.

We must do all in our power to reduce this first form of dependence. This can be done in stages if necessary but there is no time to lose. If the monetary problem, which calls for complex action, is left aside it is quite clear that energy is the crux of the matter, which is why the Commission proposes to concentrate on energy. 1975 must be the year of the common energy policy.

In May 1973, before the crisis began, the Commission had already proposed three-pronged action: cooperation with consumers, cooperation

and relations with producers, and a common market organization. But whatever hesitant progress was made was too little and too late.

We are gaining nothing by letting time slip by. There is a danger that our dependence on the outside world will harden into resignation masquerading as realism. Europe must act and act now. The Commission therefore proposes the following course of action:

- we must fix common targets, both global targets and targets for each type of energy, and we must do something about attaining them;
- in this context, we must develop our resources by all available means; the Commission will propose:
 - a Community mechanism or mechanisms (I say a mechanism or mechanisms since the situation is not necessarily the same for all energy sources) to provide incentives, support and guarantees to ensure an adequate return on investment under reasonable economic conditions;
- we must decide on a basis for assessing long-term Community intervention, for instance by fixing reference prices;
- finance must be made available from joint sources, either to support these mechanisms or to promote investment - witness the recent proposal for a 500 million u.a. loan under the Euratom Treaty.

- a European research programme.

Our external energy policy must be an open one and there is nothing here to provoke a confrontation with producers. Indeed the issues are of interest to both sides and must be debated by both sides. The Commission has always advocated this. The conference for which preparations are to begin in March, a conference at which the Community is to speak with a single voice, will, I hope, provide an opportunity for such a debate; the negotiation of cooperation agreements with a number of countries will provide another.

Nor does this programme conflict with the regular consultations between consumer countries now taking place within the International Energy Agency. Or perhaps I should say that we intend to make it our business to ensure that it does not conflict.

Concertation is in the interests of the Community and of the Member States. Despite procedural difficulties concertation must become a reality and the Commission intends to work towards this goal.

But concertation implies a correct assessment of our interests and a willingness to defend them. The Community, with its limited energy resources, does have the same problems as countries which are virtually self-sufficient. Let us take one example and think about it: the price levels which, in the United States, would stimulate production and thus help to achieve self-sufficiency would in our case simply create a new burden, a considerable burden, on our currency reserves.

I am not saying that our views cannot be reconciled. But our interests are such that there are limits to reconciliation; we must define these limits and stay within them. If we are to reconcile

diverging points of view while respecting our diverging interests, we must acquire political influence and credibility; we must defend a single point with a single voice.

It will not be an easy contest. But we will play the game in the way I have indicated and we will play to win.

Our dependence has a second facet: since there is an international economic order, we form part of a complex world organization whose written and unwritten rules limit our ability to act as individual nations or as a Community. Let us be realistic about sovereignty: except in instances where power clearly lies elsewhere a form of a new pooled sovereignty has emerged which transcends national frontiers. We must not close our eyes to this; we must accept it as a fact with a view to mitigating its effects or at least making sure that our interests are not overlooked.

For this reason our second major objective - and here I am not just thinking of energy policy - must be to make full use of our share of this pooled sovereignty which finds its expression in a changing economic and monetary world order.

We are living in a world where interests conflict, where strength is being tested. If we fail to defend our interests, if we fail to show our strength then the rules will be drawn up, balances of power established and situations created which are to our disadvantage.

Since none of our Member States is in a position to exercise any real influence when systems are overhauled and powers rebalanced, Europe, far from eroding a sovereignty which is already diminished opens the way to sovereignty regained. Europe offers us an opportunity of exercising to the full the modicum of power allowed us in the new centres of decision. This is true of energy, monetary matters and world trade. It holds good for international organizations and for our relations with our larger partners, notably the United States.

Perhaps I might make myself quite clear on this last point. We may be friend we may be allies and we may recognize that we have interests in common. But this must not blind us to reality: to the power of the United States which weighs on our relations; to its willingness to tackle problems which, contrasted with our weakness, our confusion, marks it as a world leader.

I believe that in the end we will succeed in putting our relations with the United States on a healthier, more equal footing. I believe that we can strengthen our relations with the United States if we learn to value our alliance; if we determine to act with our American friends where both have something to gain; and if we adopt the following two-fold approach:

- we must defend our own interests or the common viewpoint which seems best to us, with the same determination, the same firmness, the same lack of complexes, and the same wholesome sincerity that the United States displays;

- we must use our initiative in all important international affairs, thereby filling a gap, for we have something to say, we have solutions to offer, and it is high time that we abandoned what has too often been a reactionary approach, an approach which to my mind is evidence of political cowardice.

This is the spirit which must guide Europe. Only then, in a situation where our relations are visibly unbalanced can we compensate for that inequality which stems from our intrinsic inferiority.

We must henceforth come to the defence of the people's interests by choosing a European response to international events, by adopting a common stance as a matter of course and by deciding that the Community should speak for all of us on issues which are too big for an individual State to handle. This is our objective at a time when the rules are being changed, when the balance of power is shifting and, let us not forget this, when our future way of life is being evolved.

2. Our second objective must be to reestablish economic and social equilibrium in Europe by aiming for growth based on new foundations.

We have chosen four axes here:

- development of complementary economic policies and strengthening of solidarity;
- resumption of growth based on investment;
- creation of new aids to decision and action - a practical step towards economic and monetary union;
- a policy made for the men and women of Europe with their help.

Unemployment, inflation and balance of payments deficits are usually met by different types of economic policy. How, without reflation, are we to reverse the trend which has raised the level of unemployment to nearly three and a half million? But how, since we must correct our balance of payments, can we ease up on the fight against inflation? We must resolve the contradiction because unless we attack all three problems at once, we will fail to restore lasting equilibrium. But I am convinced that success is within Europe's grasp.

For one thing, we have a trump card up our sleeve: the Community exists. Let us use this card to best effect. The Commission and the Member States should, exceptionally, take advantage of the present disparities between our economies to make a determined systematic effort to find some means of ensuring that the policies of surplus countries complement those of deficit countries. Success would favour recovery. At the same time they should impart new vigour to the instruments of solidarity to counteract a return to isolationism. Only if they do so will it be possible to maintain free trade in the Community and throughout the world. And the expansion of world trade provides a key to a healthier Community and world equilibrium. A return to protectionism would sow the seeds of a new crisis.

This, then, will be the Commission's first line of action.

But we must also take a second factor of capital importance into consideration. The present exceptionally serious situation is accompanied by structural changes in both production and consumption. Whether we like it or not, the pattern of consumption is changing, the international division of labour is changing. We must step up investment in energy production, we must step up investment in export industries. These changes are inevitable being imposed on us by the new economic order or by our inability in the absence of change to solve our problems, notably our export problems.

Our second line of action will thus be to ensure that our economic policies do not hinder change but rather prepare for and encourage change. I am convinced that Europe will solve its problems through growth but I am equally convinced that growth must be based

on new foundations. We must decide on a strategy, a strategy centred on investment. Economic recovery must be based on investment, not on a massive increase in overall demand. In the medium and long term, structural change will call for steady transfers of resources from consumption to investment.

Here, too, Europe has a role to play. To further these new objectives the Commission will be proposing three types of action:

- We must have a better idea of where we are going. To provide a valid scientific basis for forecasts and proposals, to ensure a more reliable picture of the economic future, the Commission will shortly be proposing that the Community set up a medium-term research institute.

- We must take advantage of the fact that different industries are at work in different Community countries, and make trade promotion more effective. At European level we must resolutely commit ourselves to basing our relations with the rest of the world on a policy of economic and industrial cooperation; this is the modern way of defining commitments in a broader context, leaving the traditional trade agreement, and pure mercantilism behind. The Commission is taking this as one of its main objectives.

If this policy is to be pursued Europe must have the backing, notably the financial backing, made necessary by the novelty, scale and duration of the economic risks involved. For this reason the Commission is considering the possibility of creating a European export bank of some kind. It hopes to put proposals to the Council by June.

- We must harness Community resources to our investment drive to add speed and balance. Here, as elsewhere, the Community can act as a multiplier and make it possible to achieve more than could be achieved by the sum of national efforts. Here, as elsewhere, common action by the Community can make solidarity between Member States a reality.

On the energy issue we have, as I have already said, proposed to the Council that a 500 million units of account loan be launched under the Euratom Treaty. We have already floated loans under the ECSC Treaty; the most recent one, for 150 million dollars, closed on 6 February. Need I remind you that on the world's financial markets the Community has a first class credit rating and that it can borrow money on exceptionally favourable terms?

With this success behind us, we have begun to examine the possibility of expanding our borrowing capacity, either by making greater use of existing instruments or by creating new instruments of a similar kind. We are also considering the best way of using the funds raised, whether they should be invested in energy or used to restructure the Community's industrial base.

The purpose of these measures is to soften the crisis and promote a return to full employment by encouraging healthy growth. Designed with people in mind, they must also deal with the human problems created by the radical transformation of our society. Indeed, an orderly return to equilibrium is inconceivable without the active support of the people.

Accordingly, the Community and its Member States have three needs to fill:

- The need for honesty; the dangers inherent in the present situation and the remedies we propose must be made as clear as possible to the public; there can be no attempt to play down the sacrifices involved in the inevitable transfer of resources; but it will be permissible to stress the benefits to be derived from the progress and security resulting from our new response to problems. Our institutions can help here with the calm, objective outlook which goes hand in hand with our job;

- The need for justice, which means that there must be more protection for the needy, that people must be given more help to adapt; that incomes must be distributed more equitably. Responsibility for this lies primarily with the Member States; but the Community can help by making the need more clearly understood; by developing the means at its disposal, notably the Social Fund, it can help the Member States to succeed;

- The need for involvement: a happy outcome to this imposed process of change will depend on each and every one of us, irrespective of where we work. This is true of society in general but particularly true of the firm where industrial relations and arrangements for participation by workers and management staff in major economic decisions need a complete overhaul.

For this reason the Commission attaches great importance to re-opening the debate on participation at Community level. This will be accorded top priority in its action programme for economic union.

With this in mind it will be sending the Council this spring a revised proposal on the Statute of the European Company, incorporating most of the amendments called for by this House. More generally the Commission hopes to give vigorous encouragement to work on the harmonization of company law, emphasizing the same principles.

Side by side with this it has begun drafting a Green Paper outlining current trends in industrial relations in the various Member States; its purpose is to produce a complete, objective survey, to provide this House with a basis for discussion and to establish points of agreement on which future discussions in Europe and Member States can draw.

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3. Our third objective is to establish a new relationship with the third world.

Europe has embarked here on a bold policy: the establishment of relations with the third world based on long-term cooperation guided by principles of fair and equal treatment. A new relationship is needed because a new situation has arisen: we are conscious of our own problems, but we must become just as keenly aware of what the profound changes they are going through signify for the countries of the third world.

A number of developing countries which a short time ago possessed the population, natural resources and sociological environment necessary for rapid growth now also possess the financial resources with which to realize their ambitions. They have acceded to economic power.

Other countries depend for their development on their ability to find outlets for their products on the markets of the industrialized nations. Then again, there are others which, given the new price relationships, face an even more critical situation than before: for the time being, their only ambition is survival.

Europe, for its part must, even more than other industrial areas, remain in a position to import energy and raw materials in order to keep up its expansion. It therefore needs to export more than in the past, with a different market pattern giving more prominence to new, emerging markets.

But Europe's policy towards the third world has, of course, a completely different dimension: because the countries of Europe, more than the other large industrialized countries, have been involved in the history of Asia, Africa and America, and even more because Europe stands for democracy, inspired by principles of fairness and brotherhood, it cannot look on with indifference as the greater part of the world's population struggles to achieve decent living conditions.

This is the background to the strategy which the Commission is proposing for the Community, which can play a role of its own, beyond those played by the Member States, since it is less encumbered by the events of the past and has a much broader base.

While continuing the financial aid which is indispensable for certain countries, we must wherever possible work for cooperation based on long-term economic links, which are a better instrument of progress and solidarity than any treaty. With proper respect for our partners' own objectives, we should associate, with a view to joint benefit, our technology and knowhow, our markets, and in certain cases our capital and our products, in particular agricultural, with our partners' resources and their desire to take advantage of the new situation to press forward their own development.

The poorest countries could be included in this cooperation scheme by a joint effort on the part of the industrialized countries, especially Europe, and their partners, the producers of raw materials and energy, in a three-sided arrangement governed by rules drawn up jointly.

The Community's association policy, which began with nineteen African states in the Yaoundé Convention and has now been extended to the whole of Africa and beyond by the Lomé Convention and the agreements which are about to be signed with the Mediterranean countries, is the most complete and most successful example of this strategy. Although financial aid is an important aspect, what really matters is that these agreements provide access to large markets, income stabilization cushioning the associates against a sudden fall in world prices, systematic cooperation to speed up industrialization, and political institutions in which statesmen and Governments from Europe and the developing countries can work together on an equal footing. We shall make every effort to strengthen our new links with Africa, the Caribbean and the Pacific. The Community's association policy, fitted into our world development aid policy, bears striking witness to the vitality of Europe.

From the very outset, Parliament and the Commission have been the driving forces behind Europe's policy on development aid. Parliament has originated - or given vigorous backing - to imaginative strategies, while the Commission has again and again taken the initiative, neglecting no aspect of its responsibilities for implementation and negotiation. Is it too much to claim that the special part played by these two institutions goes far to account for the Community's drive and the strength of its internal bonds? The Commission is determined to maintain this dynamic momentum in tackling the problems which lie ahead.

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So far I have proposed solutions to our present problems. But these are only part of a larger plan. The Heads of Governments themselves realized this need when they reopened the discussion on Europe's political goals. This discussion brought into movement again two

converging processes - economic and monetary union and the unification of Europe. By endorsing the principle of direct election of this Parliament, they also took a step towards establishing that close link with ordinary people which our great venture still lacks.

We intend to play our full part in the revival of interest in building Europe. In the next two years, the Commission's political mission will once again occupy a major place in its work. Working with you, the Commission will spare no effort to achieve success.

But how can we consider the future of the Community without reference to its geographical outline? Our views on Britain's membership of the Community have always been clear. British membership is a fundamental Community interest, and in our opinion is also a British interest.

Without Britain, the Community would be incomplete. It would not have the same position in the world and would not give as much to our people if it were once more deprived of the British contribution which has done so much to give it a wider international dimension, for example in its relations with Asia and the developing countries.

Over the past two years, the people of Britain had an opportunity to assess the benefits of membership and the nature of the Community. Although the scope of this action is not yet wide enough, the fact of working together has already aided Britain and its eight partners in the economic difficulties, even in matters of food supplies, which we are undergoing.

Although here, too, more can be achieved, working together has also already given Britain as well as its eight partners more influence in world affairs.

The Community system has proved that the objective difficulties facing a Member State can be accommodated without damage to a structural framework - rules and policy-goals - whose strength must not be impaired. This fact and this condition guided the Commission in its discussion of the points raised by the British Government in April and June of last year and, even more recently, when it prepared its memorandum on the "corrective machinery" used to forestall "unacceptable situations" for Member States.

This is the true face of the Community - joint progress, solidarity, increased influence and prestige in world affairs - which our people will learn to appreciate through daily involvement in its work, its successes and its failures. We will know the decision of the British people in a few months. We hope that they will remain with us to make their contribution to designing the structures and developing the institutions of a politically and economically united Europe.

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4. Our fourth objective is to resume progress towards Economic and Monetary Union.

Our nine countries have confirmed their intention to establish an Economic and Monetary Union. We believe that union will yield further growth and social progress, a more satisfactory economic and social balance within the Community and an improved representation of our interests in the outside world. We know, too, that European Union is not possible without such a basis. The objective is therefore ambitious, but is clear. What strategy must we then adopt to move away from the present situation, in which factors tending to drive us apart and to create dissension between us are all too strong, and move towards our goal?

Inflation, the energy crisis and the monetary crisis have left us without a programme and without a doctrine. We therefore propose in 1975:

- To select limited but significant fields for measures which will, as was once the case, carry real conviction;
- To establish what should be done, and how it should be done, to attain the ultimate objective.

1. First of all, we do not have to complete a comprehensive review of all problems before taking action. That is the meaning of the programme I have just outlined, which will fill in certain aspects of the general design for Economic and Monetary Union.

For example, the common energy policy, to which I will not return here, and the common agricultural policy are part of the substance of the Union. Our agricultural policy, in spite of the monetary difficulties, is vigorous and has maintained its unity. The stocktaking operation which we are now completing will enable us to assess both the results achieved and the improvements possible within the machinery of the Treaty in accordance with the process of continuous development without which no policy is possible. The regional policy, too, reflecting the desire for equilibrium and solidarity, is an important factor in the parallel drive towards Economic Union and Monetary Union, and the Commission is devoting the greatest attention to the establishment of this policy. Lastly, the new instruments of action we are planning: a strengthened Monetary Cooperation Fund, a medium-term institute, European export bank and incentive, support or development machinery for the energy field would, if the Council accepts our proposals, give a little more substance to the still fragile framework of our Union.

I have given a brief outline of these various actions, begun or proposed, to show that if this programme is carried out, the Union will have made some progress even before other more ambitious or more complete objectives have been fixed. This is an incentive to us both - Commission and Parliament - to further action.

2. However, more fundamental progress will be required to ensure that Economic and Monetary Union is achieved.

The strategy followed in the past, as developed in the Werner Report and subsequently adopted by our institutions, consisted in a stage-by-stage approach. During each stage, a series of measures were to be taken concurrently in the main fields to ensure the convergence of the economies and growing solidarity in the monetary field and to provide increasing strength to European action in world economic and monetary relations.

The objectives that were set in this way have not been attained. Circumstances were against us, and too many of the objectives required an international climate that was both expansionist and relatively untroubled.

But acknowledging this fact does not mean accepting that our action will develop in future without an overall view or without a programme. The Commission has therefore decided to tackle this problem again, and to make an assessment of the results achieved, to evaluate and report on the present prospects for the Union and to spell out the actions and instruments which will help in attaining objectives.

We have already begun our policy review in this field, the aim being to find a new approach. At the right time, we shall conduct wide-ranging consultations, and we shall submit our ideas to you. But it is too early now to submit conclusions before the review work is finished.

I should like, however, to make two personal points. First of all, I am convinced that while the Union is being formed, coordination in the positive sense of the word - the patient and sometimes poorly rewarded effort we must make to use the complementary nature of our economies to achieve sound growth - will have to be reinforced and made more systematic.

There is a second point, of which I am quite sure: Europe needs more common instruments. These instruments will be intended first of all to meet the immediate requirements but, as they develop and expand, will help bring our economies closer together and will become part of the new economic order we are establishing. Those already in existence, and those we wish to establish, as yet only have or, in the early stages, will only have, limited resources. After the experimental period, if these instruments prove their usefulness and if the political will of our States is strong enough, they must be given resources and tasks commensurate with the scale of the European economy.

In this respect, the study of the creation of a European unit of account to prepare the way for Monetary Union is of capital importance in the overall review we are initiating. When the time comes, we will let you have our ideas and proposals on this subject, but I am already convinced that this is a step we must take and I hope that our research will show that it is feasible and worthwhile.

Such a step would lead on to action in line with overall policy but also pragmatic in nature, which is not the same as devoid of ambition. Let us not forget that initial successes can generate other successes or that a process that has got off to a good start can gather further momentum without additional stimulation.

5. Our fifth objective is to prepare the way for European Union.

The Europe we live in at the present time lacks a vision of the future of a kind that can win popular enthusiasm. We must restore this vision if we really wish to bring to a successful conclusion the historic task undertaken twenty-five years ago. We need new hearings, a new sense of purpose, a new outlook if our peoples are to commit to the European venture that ambition, that tenacity and that creative passion which at times have taken us to such heights.

In planning the European Union, we can restore this sense of purpose. Let us not forget that the first European Parliament elected by universal suffrage will meet in 1978, that is in three years time. The time will soon come when we will have to tell our citizens what they are voting for. For this reason alone, our debate with the Community's citizens on the Community's future must get under way. We must prepare ourselves for this.

Two tasks are an important part of the process which has now begun: the presentation of the reports of Parliament and the Commission, and the mission which the Heads of State or of Government entrusted to Mr Tindemans, the Prime Minister of Belgium.

The Commission attaches major political importance to the contribution it is preparing. It considers this to be one of the major tasks of 1975 during which, as you have seen, it intends to play its role as a source of initiative and inspiration on every question. Our work is well in hand and we will meet the deadline at the end of June which we have been set.

Parliament and the Commission both have to make reports, and each will of course do this according to its own judgment. But, we are naturally prepared to maintain every contact with your Political Affairs Committee and with Parliament itself to enable us, when the time comes, to compare and bring closer together our viewpoints, although our action will remain independent and our contributions our own.

Let me stress once again how much I hope that our work and yours will help finally to open the great dialogue on Europe, this imaginative and constructive debate which must involve all the forces associated in our enterprise. We hope that our report will come close enough to the real needs of our peoples and interpret accurately enough the high ambitions they must share to be of assistance to Mr Tindemans in his great mission.

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The European Community was the bold response, made almost twenty-five years ago, to the challenge facing our peoples as a result of the obligation to overcome their rivalries and rebuild their economies in a world deeply divided by the Cold War. Twenty-five years is a whole generation. Ours is a new generation, faced by new challenges: to find reasons for life and hope in a society suffocated by its own progress, to forge new links between Europe and the countries of the Third World based on cooperation and solidarity, and finally to make Europe once again master of its own destiny. We have been quick to criticize and bemoan the lack of courage, the shortcomings and failures of the last twenty-five years. But will our generation do better, or even as well? We have the institutions, we are more aware of the objectives and obstacles, but we must have the will to overcome the lassitude borne of repeated initiatives and failures, borne too of the inevitable bureaucratization of what was, at the beginning, the great European adventure.

New impetus was given by our Governments in December. The following month, you confirmed this, Ladies and Gentlemen, by making the arrangements concerning the direct election of the members of your institution. The action that the Commission is proposing to take this year fits in with this outline for the future. For the Commission too, the work of building Europe is beginning again. You will find us active and courageous in this work, ready to play our part in this new effort for Europe which constitutes our great task. I hope that, enlightened by your criticism, but above all supported by our common conviction, we may find sufficient enthusiasm to overcome scepticism and to make the peoples of Europe more keenly aware of the opportunities Europe holds out to them.

ANNEXED MEMORANDUM

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I. PROMOTION OF INTERNATIONAL COOPERATION AND AFFIRMATION OF
THE COMMUNITY'S RESPONSIBILITIES IN THE WORLD

1. The Commission will pursue these two aims as directly as possible in the coming multilateral negotiations in GATT. In more general terms, however, it will endeavour to pursue them through the whole range of its activities in the field of external relations - as regards the developing countries, by establishing or perfecting the instruments of a global development cooperation policy, by implementing the agreement negotiated with the African, Caribbean and Pacific countries and some of the Mediterranean countries, and by entering into negotiations with certain Eastern Mediterranean states; as regards the industrialized countries as well, by stressing dialogue and cooperation, particularly with the United States, Japan and Canada; and with regard to the state-trading countries, by endeavouring to ensure a harmonious and durable expansion of trade under the common commercial policy.

The multilateral trade negotiations

2. The adoption by the United States Congress of the Trade Act of 1974 removed the last obstacle to the actual opening of the multilateral trade negotiations. The Commission takes the view that the need is now greater than ever to embark as soon as possible on effective negotiations on the real issues, and for all parties concerned to show their resolve to work together to liberalize and expand world trade. The mere fact that these negotiations are in progress is a clear pointer towards an improvement of the international economic climate.

Definition of the principles of a Community development cooperation policy

3. The Commission intends to set out its views¹ on future relations between the Community and developing countries as a whole in the light of economic developments in 1974. It will be sending the

¹In October 1974 the Commission sent the Council a first paper entitled "Development Aid - Fresco of Community Action Tomorrow".

See sec. 405 of this Report and Supplement Bull. EC 8/74.

Council a communication on the subject in preparation for the fourth session of UNCTAD scheduled for 1976.

The Commission will also make use of the year ahead to achieve tangible results in the coordination of the development cooperation policies of the Member States, in accordance with the Resolutions adopted by the Council in this area in 1974.¹ The object of the exercise is to ensure greater consistency between bilateral and Community programmes, especially in view of the difficult economic period the Community is going through, and to align as far as possible the positions to be adopted by the Community in international organizations.

Association with the ACP countries and the overall approach to the Mediterranean countries

4. This will be a year of transition as regards implementation of the comprehensive cooperation agreements which have been concluded with the African, Caribbean and Pacific countries and with Spain, Malta, Israel and the Maghreb countries in the context of the overall approach to the Mediterranean. In both cases, the time between the signing of the agreements (scheduled for the beginning of 1975) and their ratification will be used to advantage to prepare future cooperation in the various fields, notably financial and technical cooperation. In this respect, the Commission intends to draw up, in conjunction with the other parties involved, the Community's financial assistance programmes for the period 1976 to 1980, which should enable a rapid start to be made with the various Community measures.

The Commission attaches great importance to preparations getting under way for future financial assistance to the ACP, particularly since signature of the Convention, and hence its entry into force, has been delayed. It hopes that cooperation with the ACP in other areas, notably trade, will begin ahead of schedule from mid-1975 onwards. An Interim EEC-ACP Committee will be set up at the same time.

Finally, in the same context, the Commission feels that, once the Council has adopted directives on the basis of the proposal made by the Commission, negotiations with Egypt, Jordan, Lebanon and Syria

¹ See sec. 404 of this Report.

should be pressed ahead. These negotiations, which should put the finishing touch to the Community's Mediterranean policy and are a response to wishes voiced by these countries, must aim to establish as close cooperation with the Community as that envisaged by the agreements with the Maghreb countries and Israel.

Policy towards the developing countries as a whole

5. Generalized tariff preferences are a fundamental instrument of development cooperation. But this instrument can only be fully effective if it is part of an authentic global development policy. Pursuant to the resolutions adopted by the Council in 1974¹, and to give these measures a greater impact on trade, the Commission will implement a series of new measures designed to promote Community imports of agricultural and industrial products from developing countries in Asia and Latin America. With the same end in view, it will continue to offer its technical assistance and experience of economic integration to existing regional groupings of developing countries and to those that are being set up.

Thus, as regards the developing countries in Asia, the Commission will negotiate agreements in 1975 with Pakistan, Bangladesh and Sri Lanka along the same lines as the trade cooperation agreement concluded between India and the Community in 1973. A joint Commission-ASEAN working party will be set up to pursue discussions between the two organizations and explore the fields in which closer cooperation might be contemplated.

In Latin America, a few small-scale trial programmes will be carried out by the Commission on a multilateral basis in 1975 in the fields of trade promotion and of cooperation with regional organizations, thus supplementing the possibilities afforded by application of the generalized preferences scheme. On a bilateral level, towards those countries which might wish to conclude other forms of agreement than the normal trade agreement the Commission will take the same line as it has taken towards other developing countries - in Asia, for instance. Negotiations with Mexico could begin on this basis in the course of the year.

¹ See sec 387 et seq. of this Report.

The Commission will give careful thought¹ to the most suitable ways of implementing, in accordance with the principles laid down by the Council, a policy of financial cooperation to help countries not associated with the Community. The Commission intends to comply with the express wish of the Council and produce concrete proposals in this matter in the first quarter.

On food aid, the Commission will pursue its efforts to help increase food supplies to developing countries. Its particular concern will be to help the most impoverished and worst hit by recent food shortages and the energy crisis. The Commission attaches great importance to a positive Community response to the international appeal to step up food aid to developing countries.

On commodities, the Commission will be responsible for preparing the positions to be adopted by the Community when the international coffee, cocoa and tin agreements, which expire in 1975 or 1976, are renegotiated.

On textiles, the Commission will carry on negotiating bilateral agreements with the principal exporter countries. The negotiations will be based on the Multifibre Arrangement concluded in GATT. It should be remembered that the Community is obliged to submit a programme for the gradual elimination of quantitative restrictions on imports of textiles before 31 March; the nature of this programme will depend partly on what is contained in the bilateral agreements.

Economic and industrial cooperation

6. Economic and industrial cooperation, whether with developing countries (oil producers and others), industrialized countries or state-trading countries, is now an objective of the first importance.

¹"Development Aid - Fresco of Community Action Tomorrow". See sec. 405 of this Report and Supplement Bull. EC 8/74. Cf. also the guidelines designed to intensify efforts to aid the food and agriculture sector adopted by the Community in connection with the World Food Conference (sec. 393 of this Report).

The Commission is planning to reinforce the arrangements for coordinating the Member States' economic and industrial cooperation policies - a process set in motion by the Council Decision of 22 July 1974¹.

At the same time it will endeavour to suggest ways and means of extending Community action in this field, the main purpose being to promote more practical cooperation with other non-member countries, for example the oil-producing countries. The negotiations for an agreement with Iran are a case in point.

Finally, work is in progress to establish long-term industrial cooperation relations with developing countries which do not in the main produce oil but do command great financial resource made available to them by the producer countries.

The Euro-Arab dialogue

7. The Commission will do everything in its power to ensure that progress is made with this project - a joint political cooperation/Community venture which was launched last year². In so doing the Commission will be helping to set up and operate agencies to deal with specific problems of interest to both groups of countries with a view to close and lasting cooperation.

Greece and Portugal

8. This year should see the reactivation and development of the Association with Greece. Getting it moving again implies the resumption of negotiations to harmonize agricultural policies, implementation of the social provisions of the Athens Agreement, strengthening the coordination of trade policies and negotiating a new financial protocol - matters which should all be tackled in 1975 by the relevant authorities, within the Community and in the framework of the Association, and on which the Commission will have to make proposals.

¹See sec. 371 of this Report.

²See sec. 440 of this Report.

The discussions initiated by the EEC-Portugal Joint Committee in Lisbon in November 1974¹ of Portugal's requests for closer ties with the Community will continue during 1975. In the fields covered by the Agreement at present linking Portugal to the Community, and more particularly in the agricultural and industrial sectors, examination of Portugal's requests will be pursued and industrial and financial cooperation may also be initiated. The Commission will make proposals to the Council during the first three months of the year.

Relations with the industrialized countries

9. The main issues in relations with the United States are to be dealt with in a multilateral context - monetary and trade negotiations (now that the trade bill has been enacted), cooperation on energy and agriculture (food aid). On the bilateral level, the emphasis will be on cooperation in areas of interest to both parties and on the effective settlement of inevitable trade disputes (e.g. the early warning system). The bilateral consultation arrangements, which have now been well run in, provide a suitable framework for the development of relations with the United States.

As regards relations between the Community and Japan, 1975 will be marked by intensified discussions between the two sides in numerous fields. This will be facilitated by the recent opening of the Commission Delegation in Japan.

Following Prime Minister Trudeau's visit in October 1974, the Community and Canada have decided to strengthen the links uniting them. Exploratory talks to determine form and substance will be held in 1975. The Commission contemplates opening a delegation in Ottawa in the course of the year. Finally, the need to conclude the Article XXIV(6) negotiations with Canada without delay is recognized by both parties.

In 1974 a "dialogue" procedure similar to that already operating between the Commission and representatives of the Governments of the United States, Canada and Japan was set up with the Australian and New Zealand Governments². A meeting between a delegation from each of these two countries and the Commission is scheduled for some time in 1975.

¹See sec. 424 of this Report.

²See sec. 445 et seq. of this Report.

During the year the Commission will, in accordance with normal procedure, contribute to the review of the situation with regard to imports of butter from New Zealand which the Council is to undertake pursuant to Article 5 of the Protocol to the Act of Accession.

Relations with the state-trading countries

10. With regard to the state-trading countries, the Commission feels that a harmonious and lasting expansion of trade, and the solution of specific problems, will best be ensured by the conclusion of long-term trade agreements between the Community and each of these countries. The Council has endorsed this approach and has formally indicated its readiness to open negotiations with the countries concerned. To this end, the Commission has sent them an outline indicating in broad terms what might be included in possible agreements. Obviously, a step such as this, which marks a new era in relations with the state-trading countries, is still being carefully studied in their capitals. In the absence of such agreements, the autonomous trade arrangements made by the Council Decision of 2 December 1974¹ will remain operative, and the Commission will work alongside the Member States to prepare whatever adjustments prove necessary.

Commission and COMECON officials met for the first time on 4-6 February last to prepare a high-level meeting between the two organizations. Although some progress was made on this occasion it was decided that further discussions would be needed to define areas of cooperation and work out practical details in the context of the general normalization of relations between the Community and the countries of Eastern Europe.

In the Conference on Security and Cooperation in Europe, the Commission - whose representatives speak for the Community in areas of Community jurisdiction - will continue to take part and work for real, tangible results in the near future. The Commission would emphasize in this connection that discussions within Committee II of the OSCE and its subcommittees, and hence the probable outcome of the Conference, relate to matters for which the Community has responsibility.

¹See sec. 454 of this Report.

Activities in the UN

11. In 1975 the Community will be taking part as an observer in the work of the United Nations General Assembly and ECOSOC - notably in the discussions on the international development strategy and the General Assembly's special session on development scheduled for September-October. The Commission will keep itself informed of developments in the World Food Conference and the work on transnational companies (especially the institutional machinery it is proposed to set up).

The Community will be an observer at the next session¹ of the Third United Nations Conference on the Law of the Sea (Geneva, March to May 1975). The Commission will take all necessary steps to prepare for the Conference at Community level.

¹The Community was also an observer at the last session (Caracas, June to August 1974).
See sec. 250 and 382 of this Report.

II. PROTECTION OF EUROPE'S ECONOMY AND FURTHER WORK ON BUILDING UP
AN INTEGRATED ECONOMIC UNIT

A. OVERALL POLICIES

ECONOMIC AND FINANCIAL AFFAIRS

12. Three major problems on a scale unseen since the Common Market was established are behind the difficulties which threaten the Community today:

- (i) inflation which, at the beginning of 1975, was running at an average annual rate of more than 13%, with considerable differences from country to country;
- (ii) unemployment, which affected more than 3.5 million in the Community, or 3.5% of the labour force;
- (iii) the serious balance of payments disequilibrium which is distributed very unevenly among the member countries.

The combination of these three problems makes it all the more necessary to bring short- and medium-term economic policies closer into line but also makes such convergence more difficult.

The Commission is now drawing up a programme of Community action for the current year, centred on four main themes:

- (i) Community measures to combat the economic crisis in particular by restimulating investment;
- (ii) the economic and social changes resulting from the fight against inflation and from the rise in energy prices;
- (iii) further progress in the economic, financial and monetary integration of the Community countries with a view to European Union;
- (iv) the main problems in the field of monetary and financial relations at present being discussed at international level.

On this basis, the main lines of the Commission's work programme for 1975 will be as follows:

Short-term economic policies

13. The Commission proposes to put before the Council a number of concrete proposals for restimulating economic activity. These proposals will be made as part of the moves to implement the Council decision on the convergence of the economic policies of the Member States of the Community. The aim is to promote the introduction of measures adapted to the situation of each country, with the priority objective of restimulating the economy in conditions of stability. To this end the Commission intends in particular to keep a close watch on the implementation of reflationary programmes in the surplus countries and to encourage, in the deficit countries, the investments which will prove the most profitable in the long-term.

These concrete proposals will be contained in a communication to the Council to be prepared in time for the meeting next March at which the economic policy guidelines for 1975 will be adjusted as required by economic developments. The communication will be accompanied by a summary account of the economic policies pursued by the Member States in the past year.

At the same time the Commission will present its first report on the implementation of the Council Decision of 18 February 1974 on stability, growth and full employment; this report will highlight the progress already made and the steps still to be taken to improve the instruments for guiding the economy.

Moreover, the usual timetable will be respected:

- (i) Around May, the Commission will present to the Council the initial guidelines on policies to be pursued in 1976 and the budgetary guidelines for the same year;
- (ii) Towards the end of the third quarter the Commission will transmit an annual report concerning in particular the guidelines to be followed by each Member State in its economic policy for the following year.

Apart from this fixed timetable, the Commission will be prepared at any time to propose appropriate measures to improve the convergence of the Member States' policies, if such action is called for by an appreciable increase in unemployment or by an unduly sharp slackening in growth, or by an aggravation of balance of payments deficits or of inflationary tendencies.

Structural changes and medium-term policies

14. In addition to the short-term measures needed if higher growth rates are to be achieved once again, preparations must also be made to cope with the far-reaching economic and social changes entailed both by the fight against inflation and by the sharp increase in the cost of energy.

The adjustments leading to a better equilibrium of the member countries' economies cannot be made in a single year. The Community must therefore establish the appropriate commitments on the basis of a medium-term economic policy programme.

Accordingly, the Economic Policy Committee will draft a fourth programme on the basis of submissions from the Commission staff. The programme - which will be worked out quickly in the first half of 1975 - will be put to the Commission itself and will then be transmitted by the Commission to the Council. It will include material indicating:

- (i) the impact on the Member States' balances of payments of the increase in energy prices, with implications for borrowing needs in the period up to 1980; by building into the projections the triangular transactions which should be arranged between Europe, the oil producers and the developing countries, this analysis will take into account the Commission's desire to promote third world development;
- (ii) an economic policy blueprint showing how the disequilibria engendered can be reduced or worked out of the economy altogether, at lowest social cost;

- (iii) ways in which dearer energy affects the pattern of expenditure on GNP and the structure of the productive system - in this connection, a special effort will be made to attempt to define a new production structure better adapted to the new price relationships and the need for a redeployment of exports; the programme will also attempt to predict how the new production structure will affect employment;

- (iv) the social changes entailed by the changes in production, with regard both to employment and to workers' participation in management.

The various Community institutions must cooperate closely in work to be carried out to control structural change under the Community policies. The Commission will therefore strengthen its relations with the EIB and establish optimum coordination of the various financial instruments available to the Community.

Strengthening integration with a view to economic and monetary union

15. The Commission has begun large-scale policy research work on measures required to adapt economic and monetary union to the new economic and political circumstances. As a result of this, it should be in a position to adopt a report on the establishment of EMU which should be ready for presentation to the Council and Parliament during the summer.

At the same time, the Commission will pursue, or resume, action in certain specific areas.

In the first place, further to a Council decision of 21 October 1974 approving the basic regulation relating to Community loans, procedures for issuing these loans will be finalized as soon as possible.

Work already in progress¹ will be continued to lay down the conditions and procedures for bringing the exchange rate policies for currencies now floating independently closer into line with those for currencies participating in the Community exchange rate system.

The Commission will also endeavour to work out ways and means of improving supervision and control of the Eurocurrency markets by the central banks.

Following the guidelines laid down by the Commission in its communication to the Council of 12 December 1974², the work on the definition of a new European unit of account will result in concrete proposals.

The study of a Community instrument to promote external trade will be speeded up.

The Commission intends to put before the Council plans for setting up a European Institute for Economic Research and Analysis. This Institute should be of considerable help to the Commission, for instance in determining and developing structural policies.

International problems

16. National and Community efforts to restore better equilibrium in the Community countries' economies must fit in with parallel work at world level. Two fields are of special importance:

- (i) the reform of the international monetary system, on which the Commission will make the necessary proposals with a view to defining common positions of the Member States;
- (ii) the recycling of capital, on which the Commission also intends to take concrete steps as soon as possible.

¹The Commission presented to the Council in mid-December 1974 a proposal amending certain provisions of the Regulation of 3 April 1973 establishing the EMCF and adding others - Eighth General Report, sec. 189.

²Eighth General Report, sec. 193.

TAX HARMONIZATION

Action programme on taxation

17. With a view to working out an action programme on taxation for the coming years, the Commission has proceeded to extensive consultation of Government departments and organizations representing labour and business and other relevant interests. It will present a communication to the Council on this subject before the end of the second quarter of 1975.

Indirect taxes

18. As far as value added tax is concerned, the Commission will press for the early adoption by the Council of the proposal for a sixth directive establishing a uniform basis of assessment of that tax and continue its work on the elimination of certain obstacles now hampering the free movement of personal possessions, etc. Several proposals for directives will be laid before the Council before the end of the second quarter.

The Commission is planning to put to the Council a proposal for a directive on further harmonization of the structures of excise duties on manufactured tobaccos (in the first quarter).

The Commission will send the Council a proposal, originally scheduled for 1974, concerning the harmonization of indirect taxes other than VAT and excise duties on transfers of securities (fourth quarter).

Direct taxes

19. The Commission intends to study international tax evasion and fraud, since these practices are growing steadily more common, partly because of the greater number of transnational links between firms. The work will, of course, also cover evasion of indirect taxes. On the basis of the Council Resolution of 19 December 1974,¹ the Commission is planning

¹ See sec. 180 of this Report.

to take, within the limits set by its powers, appropriate measures including measures to strengthen, in a Community framework, cooperation between national revenue departments.

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The Community's own resources: final arrangements

20. The rules relating to the use of the Community's own resources deriving from the VAT cannot be applied until a uniform basis of assessment for this tax has been established. Therefore, the part not covered by customs duties and levies will be financed, for 1975, under derogatory clauses in the Decision of 21 April 1970,¹ by GNP-related payments made by the Member States.

From 1 January 1978 onwards, the arrangements concerning the Community's own resources should normally be applied in full, and the Commission therefore takes the view that the Council should come to a decision before the end of 1975 on the proposal for a sixth directive concerning the establishment of a uniform basis of assessment for the VAT, so that this directive can be effectively implemented as soon as possible. Once the uniform basis of assessment has been adopted by the Council, the Commission will make proposals concerning procedures for collecting and transferring this category of own resources.

¹OJ No L94, 28 April 1970.

APPROXIMATION OF LAWS CONCERNING FINANCIAL INSTITUTIONS

Banks

21. Developments in this field will to some extent depend on action taken on the proposal presented on 12 December 1974¹ for a directive relating to the coordination of legislation on the supervision of banks. This directive is the first in a series of coordination proposals (the others are still to be drafted) the purpose of which will be the establishment, in coming years, of a common market for credit establishments. Examples of the areas which will probably be covered by the new proposals are the harmonization of balance-sheet formats and rules concerning the publicity to be given to balance sheets, the solvency and the liquidity of credit establishments, financial information to be supplied at regular intervals to the supervisory authorities, and the establishment of special rules concerning building societies. The Commission plans to submit a proposal on building societies to the Council before the end of the year.

Insurance

22. A proposal for a directive concerning freedom to provide services with regard to risk insurance will be sent to the Council before the end of the second quarter; this proposal - which the Commission had intended to lay before the Council in 1974 - will take account of the implications of the judgment handed down by the Court of Justice on 3 December in the Van Binsbergen case².

In the first quarter, negotiations will be opened with Switzerland, on a reciprocity basis, with a view to facilitating, as between the Community and Switzerland, access to direct insurance activities other than life.

¹See sec. 130 of this Report.

²See sec. 122 of this Report.

Other financial institutions

23. A proposal for a directive relating to conditions for the admission of securities to quotation on stock exchanges will be presented to the Council in the first quarter.

Work continued on the coordination of legislation governing unit trusts and investment companies, and this was extended, beyond the coordination of information to be disclosed by these institutions, to cover their rules of operation. Consequently, the first stage of work in this area could not be finished last year, as had been planned. However, there is every prospect that it will be possible to send a proposal to the Council in the second quarter of this year.

The Commission is also pursuing or planning other coordination work with regard to securities markets; this includes work on stock exchange intermediaries, in respect of which a proposal will probably go to the Council in the fourth quarter.

B. SECTORAL POLICIES

COMMON ENERGY POLICY

Common energy policy

24. On 17 December 1974¹ the Council adopted a Resolution setting common target figures whose attainment would enable the Community to free itself by 1985 from excessive dependence on imported energy. The Commission's efforts in 1975 will therefore be directed to equipping the Community with the means of action required to attain these targets.

These means of action will be at once political and financial: political, since they imply clear decisions by the Member States embodying a willingness to act together; financial, since the development of alternative sources of energy implies large-scale new investment, incentives and guarantees as to profitability.

General action

25. The Commission will periodically (starting in the first half of 1975) draw up long-term guidelines on the consumption of, prospection for and production of energy, and on the investments of all kinds required for these activities. By 30 June 1975 the Commission will have drafted its first half-yearly report on progress made in attaining the Community targets, as required by the Council Resolution.

The Commission will also launch the programme of action on the rational use of energy approved by the Council in a second Resolution adopted on 17 December 1974 and will report back to the Council, pursuant to the Resolution, on the situation in the Member States and on progress towards the Community objective.

Sectoral action

26. On the basis of the targets set by the Council and in accordance with the guidelines shortly to be drawn up by the Council for the various sectors, the Commission will consult the Energy Committee and will make proposals during the first and second quarters for both Community and national action.

¹See sec. 336 of this Report.

In the coal sector the primary need is to consider what action is needed to ensure that the investment required to maintain Community production at its present level can be effected in satisfactory economic conditions. It will also be advisable to examine the new system of aid to the coal industry which may perhaps be introduced on the expiry of Decision No 3/71.

As regards oil and gas, it will be necessary to set up the machinery of a supply policy which will guarantee diversified and secure supplies, and also the smooth functioning of the market. The Commission will continue to apply a Regulation of 9 November 1973 on financial support for Community projects, and will submit a second series of proposals on this subject to the Council. It will press the Council to express an opinion at an early date on the proposal to extend this Regulation to cover prospecting work.

In the nuclear sector the first requirement is to revise Chapter VI of the EAEC Treaty in order to give the common supply policy on nuclear fuels the desired efficacy and to make the Supply Agency an essential instrument of such a policy.

In addition, the Commission will continue to apply the existing Community provisions, particularly the regulations and directives on oil and gas. As it will in future have further information about supply conditions, the Commission will promote cooperation between Member State Governments and where required consult the undertakings which supply the Community.

Relations with the other energy-consuming countries and with the producer countries

27. The Commission is now participating in the work of the International Energy Agency set up under the aegis of the OECD.

Action taken by the consumer countries in a wider international context has already led to a number of Community decisions, Member States participating in the work of the IEA being required to adopt the Community position.

As far as other matters of particular interest to the common market are concerned, it is essential that the Member States reach agreement on common action pursuant to Article 116 of the EEC Treaty.

In order to ensure the satisfactory operation of the Community machinery, it will be best to apply the procedure used hitherto in preparing for discussions in the OECD to meetings of the various IEA bodies - i.e. to hold preliminary meetings of specialist officials from the nine Member State and the Commission.

The Commission will also pursue its efforts to promote cooperation with the producer countries in the interests of all concerned.

COMMON AGRICULTURAL POLICY

28. The Commission will present to the Council by 1 March a complete survey of the common agricultural policy, with proposals appropriate to the objectives set out in Article 39 of the EEC Treaty where necessary. However, the Commission draws attention here to the fact that certain measures for improving the common agricultural policy contained in its memorandum of 31 October 1973¹ (some of them incorporated in proposals) are still awaiting a Council decision.

29. Before 1 April the Commission will present its proposals for improving the common organization of markets, particularly those for olive oil and production under glass.

The Commission will also be able to draw up a complete summary of existing aid measures when all the Member States have forwarded the relevant data.

30. As regards social and structural problems, it is essential that the Council should soon decide on the measures in respect of forestry and on the regulation concerning agricultural producer groups and associations². In 1975 the Commission will also place before the Council a proposal concerning common action for the development and rationalization of the processing industries and undertakings for marketing agricultural products.

Lastly, 1975 should also see completion of the application in all the Member States of the three socio-structural directives adopted by the Council on 17 April 1972.

¹Seventh General Report, sec. 280.

²See sec. 264 of this Report.

31. As regards veterinary legislation, plant health and animal nutrition, the Commission will present proposals for the implementation of the programme adopted by the Council, making allowances for the international factors which impeded progress in 1974. It will present a proposal to give permanence to the Standing Veterinary Committee procedure during the first quarter and will press the Council to take the decisions it failed to take in 1974. This would allow application of the directive on relations with non-member countries in the veterinary field and adoption, ten years after the Commission proposal was originally presented, of the basic directive regulating the plant health aspects of trade in agricultural products.

INDUSTRIAL POLICY

32. The economic crisis which developed in 1974 is a new factor for Community industry to take into account. The threat of recession and unemployment and the changed competitive position of European industry call for major structural transformations. In addition, the changes which have taken place on the capital market cast doubt on the traditional ways of financing the Community's industrial development.

In this new situation there is a risk that countries may take divergent measures which in the long run might compromise the Community's industrial unification and even endanger the existence of the common market.

It is therefore the Commission's duty to redefine its industrial policy programmes, giving precedence to measures designed to promote the harmonious accomplishment of the requisite Community-wide transformations. The Commission will therefore direct its efforts mainly to the following matters:

- (a) the measures required to guarantee the compatibility of supporting projects in the principal industries affected by the recession;
- (b) the formulation and deployment of new financial instruments capable not only of dealing with immediate difficulties but also of giving the necessary support to the measures required to agree with the profound economic and social changes now taking place;
- (c) outline analyses and guidelines - or perhaps even complete ones - based on an interindustry approach to industrial development;
- (d) first steps towards a Community raw materials supply policy.

Sufficient progress ought to be made here for the Commission to be in a position to make initial proposals on most of these points during 1975.

33. As regards more specific sectoral measures, the Commission is presenting those initiated last year and also intends during the first quarter of this year to give effect to guidelines or programmes of action for the building industry, for plants producing large-scale electrical

equipment for nuclear power stations, and also on reactor safety.

34. As regards the removal of technical barriers to trade, in 1974 the Commission largely discharged its obligations flowing from the Council's Resolution of December 1973 on the industrial policy programme. However, despite its best endeavours, the Council was unable to keep pace with the Commission's proposals in 1974¹. In 1975 the Commission will present its last proposals on motor vehicles; agricultural tractors; motorcycles and mopeds; civil engineering equipment; fertilizers, paints, varnishes and detergents; lifting gear; machine tools; precious metals and measuring instruments.

The instability of the present economic situation, and especially of the energy market, will of course necessitate energy conservation measures and structural changes in some industries, which may in turn call for changes in the programme.

Although the Council has not yet held the agreed discussions on guidelines relating to the Commission's Communication concerning multinationals, the Commission will publish in the third quarter of 1975 a first inventory of these firms.

In the field of company law, the Commission will do everything it can to see that the second directive on the formation and capital of companies, which was scheduled for adoption in 1974, is adopted by the middle of 1975, and that work on the proposals for the third and fourth directives² is speeded up.

A revised proposal for a regulation on the Statute for the European Company will be sent by the Commission to the Council in March 1975. The complexity of the problems concerned has obliged the Commission to defer transmittal of the revised proposal beyond the date originally intended. The main question at issue is workers' participation, which is also the kernel of the discussions on the proposal for a fifth directive³ (see below, Social Policy).

¹See sec. 108 of this Report.

²Proposals dealing respectively with corporate mergers within a single country and the annual accounts of companies. See sec. 135 of this Report.

³Proposal concerning the structure of limited liability companies. See sec. 134 and 136 of this Report.

COMPETITION POLICY

Restrictive practices and dominant positions

36. At a time when inflation is affecting the life of the entire Community, the Commission will intensify its work on analysing situations where identical or similar products are sold at different prices in different Member States. Article 86 of the EEC Treaty will be strictly applied to firms which abuse the fact that they can practice an independent pricing policy.

When examining the marketing of petroleum products, the Commission, with a view to enforcing the rules on competition, will keep a close watch on competitive pressures and will look into any case of discriminatory pricing or artificially created shortages.

When considering patent licensing agreements, the Commission will endeavour to clarify the situation as to what stipulations are acceptable. It will take account of the distinction between the existence of industrial property rights protected at national level, which is not to be affected by Community law, and the exercise of these rights, which is subject to the provisions of the Treaty. Thus the aim will be to reconcile the lawful existence of monopoly situations created by the grant of patents and the competitive situation in a unified common market.

State aids

37. In the face of the economic and structural problems with which the Community is confronted at the present time, it is more important than ever that the Member States should observe the Treaty rules on aids. Only if they do will national aids work in such a way as to enable the Community to overcome the difficulties facing it as effectively and cheaply as possible while avoiding the obvious consequences of permanent outbidding (the best-founded national policies are deprived of their effect, unemployment is exported from one Member State to another and, ultimately, the situation is aggravated in the Community as a whole).

As regards regional aids, the Commission had said that it would work out a new approach to coordination applicable in all the regions of the Community by 31 December 1974. Work on this has been slowed down somewhat particularly by the technical complexity and political nature of these problems. However, the Commission will shortly be able to publish the main points of its new approach to coordination, and these will take account of the particular characteristics of each of the developing regions in the Community.

RESEARCH, SCIENCE, EDUCATION

38. In the energy sector scientific research and technological development will have a key role to play if the Community's targets for 1985 are to be attained and energy supplies made as secure as possible. Similarly the continual modernization of industry - hence job security - and the quality of life all depend on a policy of scientific research and technological development. On the basis of the Resolutions adopted by the Council on 14 January 1974¹, the Commission is working towards the gradual establishment of a Community policy in this field. This entails the coordination of the relevant national policies and the launching of joint research projects to be carried out under contract in public and private research establishments in the Member States or in JRC establishments.

For the implementation of these joint research projects the Commission

- (a) will, in the last quarter, send the Council proposals for action programmes in the fields of medical research, oceanology, town planning and housing, and probably also in the field of raw materials and materials suitable for chemical industrial plant;
- (b) will continue the research now in hand in the fields of thermonuclear fusion, biology/health protection, research on the environment, and reference substances and methods (Community Bureau of References - CBR). This work is being carried out in national research establishments under the present multiannual programmes which are due to expire at the end of 1975. In the next programme on controlled thermonuclear fusion, the Commission plans to include the construction of JET (Joint European Torus) which will produce physical conditions proximating to those expected from the large fusion reactors of the future.

As regards research carried out in the JRC establishments, the multi-annual research programme adopted in 1973 is due to expire on 31 December 1976. The Commission plans to put the draft for the new programme to the Council by the end of 1975 or early in 1976.

¹ See sec. 310 of this Report.

By mid-1975 the Commission will have drawn its conclusions regarding the feasibility of launching a Community system for technological forecasting and assessment ("Europe + 30" study).

For the encouragement of basic research, the Commission will transmit proposals to the Council during the last quarter of 1975, more especially concerning possible support to the European Science Foundation (ESF) created in November 1974.

Finally, R&D cooperation between the Community and non-member countries in Europe will be organized mainly in the COST framework (Scientific and Technical Cooperation), which at present covers nineteen European countries.

39. Subject to a favourable decision from the Council on the proposals put forward in 1974¹, the Commission will gradually launch an initial programme of Community work in the field of scientific and technical information.

40. With regard to education policy, the Commission's work will be channelled along several lines:

- (a) assisting the Education Committee² in its work (the Committee's report should be ready in June 1975);
- (b) preparing proposals on the education of migrant workers' children under the Community's Social Action Programme (second quarter);
- (c) preparing the first proposals designed to facilitate exchanges of goods and increase the mobility of people in the cultural sector (third quarter).

¹See sec. 256 of this Report.

²See sec. 323 of this Report.

COMMON TRANSPORT POLICY

41. The Commission's activities in the field of the common transport policy continue to bear the stamp of the ideas set out in the Commission's Communication to the Council of 24 October 1973; this document contains, in particular, a working programme for the period 1974-76¹. In 1975 the Commission intends, in the light of the Opinions delivered by Parliament and the Economic and Social Committee, to resume its dialogue with the Council regarding these guidelines which recent economic developments have shown to be sound.

42. As a contribution towards the gradual introduction of the Community transport system envisaged by the Commission, the following new steps will be taken in the course of the year:

- (i) A Communication regarding the Commission's activities in connection with the coordination of transport infrastructures (second quarter)

This is one of the indispensable elements of the new lines of action which the Commission has in view.

- (ii) A Communication and proposals regarding the organization of the transport market (third quarter)

The arrangements which these steps are intended to set up will cover simultaneously access to the market, price formation and the relevant rules of competition.

43. The programme also provides for the prosecution of certain actions already begun, which are compatible with the new lines proposed by the Commission. Thus, the Commission has in mind to present to the Council the following proposals and other communications:

- (iii) Proposals regarding the harmonization of certain social provisions in the field of freight carriage on inland waterways (first quarter)

These proposals, carried over from 1974, will be based on the Council Decision of 13 May 1975.

¹See sec. 349 of this Report.

- (iv) An interim report on the point reached by the work on a Community system of charging for transport infrastructure (second quarter)

This report will be based on the programme which the Council adopted on 3 December 1971.

Pursuing the same approach - prosecution of actions already begun which are compatible with the new lines - the Commission will lay before the Council proposals in respect of safety (technical inspection of boats - third quarter; and speed limits by category of road vehicle - fourth quarter), social regulations (amendment of Regulation No 1463/70 in respect of recording equipment and minimum training for lorrydrivers - second quarter), road transport of passengers to and from non-member countries (directives for negotiating an agreement on transport by coach and bus - second quarter), the regional situation (amendment of Directive No 69/467 - second quarter) and public works and supply contracts (fourth quarter).

CREDIT AND INVESTMENT

With regard to the Commission's financing work, the European Coal and Steel Community will begin 1975 with a balance sheet totalling rather more than 2 000 million units of account, which means that the ECSC has a leading status among financial agencies operating on the international market.

The ECSC will continue to make major commitments in 1975: the steel industry has substantial investment requirements, and it is desirable that investment in coalmining should be built up once again. The need for firms to establish reliable sources of raw materials supplies could also lead the ECSC to involvement in financing of certain mining investments outside the Community.

The role which the Community as such has begun to acquire on the capital market through its ECSC activities could and should be extended to other fields where pressing needs have now emerged. A key objective is the reactivation of Euratom's financing activity to assist in the funding of the major nuclear power station projects devised as a response to the energy crisis. There are other areas, covered by the EEC Treaty, in which the Community as such could be of considerable assistance to the Member States in financing new ventures, such as programmes to redress regional and structural imbalances. By borrowing outside the Community - as it has successfully done for areas covered by the ECSC Treaty - the Commission could also help with the recycling problem.

C. THE FUNCTIONING OF THE INTERNAL MARKET - ATTAINMENT OF FREEDOM OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES

46. As in 1974¹, the Commission's work on customs policy will be oriented towards simplifying the procedures and formalities which customs departments have to apply. A programme on simplification of customs procedures and formalities will be put before the Council in the first quarter of this year. The measures in the programme will include simplification of the rules of origin, the Common Customs Tariff and transit procedures.

The Commission will continue its policy of harmonizing national customs rules with a view to completing the customs union. Before the end of June proposals will be tabled on such matters as the repayment and drawback of customs duties and agricultural levies.

47. This year as before, the accent will be on measures in the industrial policy programme, particular attention being paid to removing technical barriers, coordinating the procedures for the award of public supply contracts so as to gradually make them more genuinely open, and, finally, creating a legal framework for companies in line with the new European dimension.²

A number of other plans to give the internal market a firm legal basis are nearing fruition, and action here will be intensified this year. These plans include a draft bankruptcy convention and proposals for directives on commercial agents and the various forms of consumer credit. The Commission hopes that this will be complete by the end of the year; the same applies to the two draft conventions on economic criminal law³ - the one on criminal liability and protection of officials of the European Communities and the other on the prevention of offences against Community economic law.

¹See sec. 85 et seq of this Report.

²See secs. 107 et seq. and secs. 117, 118, 134 et seq. of this Report.

³See secs. 145 and 146 of this Report.

48. Some time in the second half of the year, the Commission will be presenting a revised version of the General Programmes for the Abolition of Restrictions on Freedom of Establishment and Freedom to Provide Services adopted by the Council in November 1961. This is necessary in view of last year's judgments by the Court of Justice in Reyners and Van Binsbergen¹. However, work on mutual recognition of degrees and diplomas and coordination of provisions relating to the right to take up and pursue various occupations must be continued if freedom of movement is to be attained. Here, the Commission will seek greater inspiration than before in the transitional measures already adopted in certain cases. These measures provide that the fact that a person has pursued a given occupation in a Member State for a given period of time is enough to entitle him to pursue that occupation in another Member State.

As regards freedom of establishment in the professions, the Commission will urge the Council, now that political agreement has been reached on medical practitioners, to bring its work on the other professions outstanding, notably nurses and architects, to an early conclusion.

¹See sec. 121 et seq of this Report.

D. INFORMATION POLICY

49. The Commission has decided in accordance with the guidelines which emerged from its deliberations on 9 January 1975, to pay more attention to public opinion than it has in the past.

Its information policy will therefore aim to present the general guidelines governing the Community's handling of the economic and social difficulties associated with the present crisis in clearer, simpler and more convincing terms. An effort will also be made to interest the public in preparations for European Union.

A special effort will be made to service Europe's "latent forces" (i.e., its political parties, trade unions and associations). The Commission feels that they should be provided with more information on current problems associated with the construction of Europe. With direct elections to the European Parliament on the way, it is also highly desirable that the attitudes and views represented by these forces should gradually crystallize and find their place in the mainstream of European public opinion.

Implementation of this policy will be considerably facilitated by the additional appropriation included in the 1975 budget at Parliament's instigation.

E. THE BUDGET AS A FORECASTING TOOL AND THE IMPROVEMENT OF
FINANCIAL ADMINISTRATION

50. Speaking of the budget as a forecasting tool, the Commission points out that the decisions taken by the Council in finalizing the draft of the 1975 Budget considerably reduce its value and scope. The appropriations asked for by the Commission for measures not yet formally approved by the Council have been refused by the Council¹, so it will be impossible to avoid resorting to a number of supplementary budgets for 1975 - notably in respect of the Regional Fund, and the agricultural prices for the next marketing year - entailing all the disadvantages which the Commission and Parliament have already pointed out as inherent in this procedure.

51. The Commission will continue to strengthen and improve the arrangements it has already instituted to ensure that the implementation of the Budget is properly monitored. The establishment of the Single Accounts Centre, which will become operational in 1975, falls under this heading. Furthermore, on the basis of the suggestions made by the Special Committee of Inquiry, whose reports have been submitted to Parliament, the Commission will seek to carry out a programme comprising in particular:

- (i) an improved general administration of the Community Funds (one of the means to be used for this purpose will be data processing);
- (ii) the establishment of genuine cooperation between all the national authorities involved;
- (iii) the creation of the requisite means to ensure effective preventive measures against irregularities and fraud in intra-Community transactions.

¹See sec. 59 of this Report.

F. IMPROVEMENT OF STATISTICS

52. The Statistical Office will carry out a large number of surveys in the agricultural, industrial and social areas as part of its programme covering the years 1975 to 1978¹. In particular, the first nine-country Community survey of labour forces will be carried out in the spring. Comparative analyses will also be made of labour costs in industry in the member countries and of the pricing of the various components of the gross domestic product.

In the field of the harmonization of national statistics, the Commission will also propose a Community framework for environment statistics.

¹"Statistical Programme of the European Communities 1975 - 1978 Memorandum by the Statistical Office of the European Communities".

This programme constitutes an instrument for forecasting the Commission's statistical work and that statistical work carried out by the Member States which is relevant to the Community. See sec. 84 of this Report.

III. TOWARDS A MORE EQUITABLE STRUCTURAL AND REGIONAL BALANCE AND A BETTER QUALITY OF LIFE

SOCIAL POLICY

53. In 1975, the Commission's activities in the social field will come under two main headings:

- (i) continuation of work on the implementation of the Action Programme (1974-1976);
- (ii) intensive action to promote the Community employment policy; the importance of this policy was underlined by the Heads of Government when they met in Paris in December and its introduction was a major concern of the tripartite conference held in Brussels on 16 December¹.

The Commission feels that these activities must be placed in a far wider context which takes account of the economic and social changes taking place in Europe. With this in mind the Commission intends to introduce the following priority measures in the course of the year.

Employment

54. The Commission will send the Council communications on:

- (i) the promotion of concertation of Member States' employment policies and increased cooperation between national employment services (April 1975);
- (ii) the improvement of employment forecasts by sector and by level of qualification (March 1975).

The employment difficulties faced by the sectors worst hit by the crisis will continue to be examined in conjunction with both sides of industry at regular intervals throughout the year.

Since certain categories of workers - migrant workers, women, the young and the elderly - are particularly vulnerable in a deteriorating employment situation, specific measures should be taken to protect them. (see below: Living and working conditions).

Proposals will also be made - before the end of the second quarter - to enable the European Social Fund to take action to deal with the effects of the present economic difficulties on employment. These would seek to create a climate in which workers could cope with the changes which may be forced on them by employment difficulties in the Community and enable them to find

¹ See sec. 216 of this Report.

alternative employment in healthy sectors of the economy.

The new impetus given to vocational training policy should be viewed in this context. The Council has approved the setting-up of a European Vocational Training Centre. Regulations for its staff must now be adopted, financial arrangements approved and the Centre made operational (second quarter). Its initial work **programme can then be finalized.**

Workers' participation

55. Both the proposal for a fifth directive on the structure of public limited liability companies and the proposal concerning the Statute for the European Company make provision for workers' representation on the "supervisory board", a principle which has already been put into practice in certain Member States. Attaching the highest importance to the general acceptance of this principle, the Commission intends to publish a green paper on the question in March. The Commission hopes by this means to renew discussion of this matter and to prepare the way for tangible results on workers' participation.

Living and working conditions

56. (a) Equality between men and women as regards access to employment, vocational training and advancement and working conditions.

A memorandum now being finalized by the Commission will include:

- (i) a proposal for a Council directive;
- (ii) further proposals to be presented in the course of the year with a view to enabling the Social Fund to grant assistance to integrated programmes, at local level, for the promotion of female employment.

(b) Action programme for migrant workers.

A first set of proposals for the implementation of this programme will be sent to the Council in the first quarter and will deal with:

- (i) the extension of trade union rights to Community migrant workers;
- (ii) the settlement of conflict of laws;
- (iii) the standardization of systems for paying family allowances.

(c) Vocational and social reintegration of handicapped persons.

The Commission will continue to implement the first programme adopted by the Council on 27 June 1974¹ and mainly concerned with training. In addition, the Commission will prepare a number of measures dealing with the social and medical aspects of the rehabilitation of handicapped persons (fourth quarter).

(d) Social protection

The Commission is currently setting up machinery for the concertation of "social protection" policies, so that common guidelines for future development may emerge and provide a coherent framework for various measures, particularly in the field of social security (fourth quarter).

(e) First social budget

The Commission will endeavour to transmit a revised budget, with the forecasts extended to 1976, to the Council in the fourth quarter.

(f) Protection of workers in cases of individual dismissal

A proposal will be sent to the Council (fourth quarter) to supplement the protection measures contained in the directive on mass dismissals. This has recently received Council approval.

(g) Humanization of work and job enrichment

Following the 1974 seminar, the Commission will present a report to the Council at the end of the **third quarter**.

(h) Inauguration of the European Foundation for the Improvement of Living and Working Conditions

Health protection

57.(a) Establishment and implementation of the first Commission programme concerning health and safety at work (end of February), in conjunction with the new tripartite Advisory Committee set up in 1974.

(b) Commencement and implementation of the third ECSC programme of social research into ergonomics and retraining.

¹See sec. 230 of this Report.

REGIONAL POLICY

58. The decision taken by the Heads of Government in Paris on 9 and 10 December 1974¹ on the setting-up of the European Regional Development Fund and on the amount and breakdown of its resources must be embodied in formal Council decisions as quickly as possible. Once these decisions are adopted the Commission will do all it can to enable the Fund to move on to the operational stage and contribute to correcting the main sources of disequilibrium in the Community.

This said, the Commission feels that it must emphasize that the European Regional Development Fund, however important, is but one of the instruments of the Community's regional policy. In view of the inflation and rising unemployment which Europe is now witnessing, the Commission agrees with Parliament that the regional policy must be an overall policy. Hence, in the next few months, it will seek all possible means of channelling a flow of jobcreating direct investment towards the poorer regions.

59. But above all it will work towards securing the establishment of one particular instrument which is designed not only to coordinate national regional policies but also to help other Community policies and the financial resources available to some of them to make a better contribution to regional development. The instrument in question is the Committee for Regional Policy which the Commission proposed setting up in July 1973² to assist the Council and the Commission in working out a long-term comprehensive approach to the Community regional policy.

Apart from seeking ways of coordinating national regional policies and of improving the degree of correlation between other Community policies and the objectives of regional development, the Committee will have to examine the problem of congested areas and frontier zones -

¹See sec. 206 et seq. of this Report.

²Seventh General Report, sec. 224.

Parliament itself has been manifesting considerable interest in this problem in recent months - and look for means of keeping public and private investors better informed. Commission staff are preparing the Committee's activities.

ENVIRONMENT POLICY

60. In 1975 the Commission will send a number of proposals to the Council in accordance with the programme and timetable adopted by the Council on 22 November 1973¹. Moreover, a number of projects planned for 1974 will not be undertaken until 1975, owing to both the complexity of the matters involved and the lack of resources.

Thus, during the first quarter, the Commission will transmit to the Council:

- (i) on water pollution, a proposal for a directive on the quality objectives for waters for fish-breeding purposes, a further proposal on the reduction of pollution from paper pulp mills and a draft outline agreement dealing with the fight against pollution arising from exploitation of the seabed;
- (ii) on air pollution, proposals on the determination of criteria for measuring the effects on man of a number of pollutants (carbon monoxide (CO), lead (Pb) and sulphur dioxide (SO²));
- (iii) on waste, a proposal on the management and storage of radioactive waste; in addition a committee will be set up to help the Commission in implementing a coherent policy on the disposal and recycling of waste and residues; and
- (iv) three miscellaneous items: a proposal for a directive on the collection and treatment of polychlorinated biphenyls (PCBs), a draft recommendation concerning a methodology for evaluating the cost of fighting pollution within industry, and a common procedure for reviewing information on the environment.

¹Seventh General Report, sec. 250 et seq.

During the second quarter the Commission will transmit to the Council :

- (i) on water pollution, a proposal for a directive on the quality objectives for waters for shellfish breeding;
- (ii) on air pollution, a proposal for a directive on the sulphur content of heavy fuel oils;
- (iii) on waste, a proposal for a directive on toxic and dangerous wastes;
- (iv) on noise pollution, a series of proposals dealing with criteria concerning the effects of noise on man and the abatement of noise emissions from construction equipment, lawn-mowers, two-wheeled vehicles and aircraft¹.

During the third quarter the Commission will present a draft decision dealing with the exchange of information between surveillance and monitoring networks for fresh water. Another measure will deal with energy and thermal release from electricity generating stations. A report concerning the iron and steel industry will also be sent to the Council.

During the fourth quarter the Commission will transmit to the Council :

- (i) on water pollution, a proposal for a directive on waters for agricultural use and reference methods of analysis concerning parameters pertaining to drinking water and a report on the possibility of harmonizing legislation on the civil liability of the polluter with respect to other parties in the same country as the polluter or in another Member State;
- (ii) a draft decision on the setting-up of an office for approving new chemical substances;
- (iii) a proposal on the approximation of national laws on hunting with a view to protecting certain wildlife species threatened with extinction;
- (iv) a report on the state of the environment in the Community; lastly, a pilot network of primary schools to which environmental education is of interest will be created.

¹As part of the programme for the abolition of technical barriers to trade.

61. During 1975 the Commission will pursue its research effort on the environment by both direct and indirect action. It will also prepare the forthcoming three-year research programme.

The information procedure initiated by the agreement of 5 March 1973¹ will enable the Commission, as in the past, to monitor the progress of national laws on the environment and, if necessary, to put forward proposals for Community measures on the basis of draft national provisions.

Finally, 1975 will be marked by the preparation of the second programme, which the Commission hopes to send to the Council during the fourth quarter at the latest. Preference will be given in this programme to the fight against wastage.

¹Seventh General Report, sec. 265.

PROTECTION OF CONSUMER INTERESTS

62. The Commission will keep a close watch to ensure that the Council adopts the preliminary programme of the European Communities for an information and consumer protection policy¹ and will, in particular, implement the priority actions for which it provides. Thus, during the second quarter of 1975 the Commission will put before the Council a proposal for a directive on door-to-door selling and another on the labelling of foodstuffs.

During the fourth quarter this activity will be supplemented by:

- guidelines for the labelling of consumer products other than foodstuffs;
- a proposal for a directive dealing with the marking of unit prices on prepackaged products sold by weight or volume;
- if possible, proposals for directives dealing with consumer credit and the standardization of ranges of prepacked products.

63. As in the past, the Commission will pay close attention to the work of the Consumers' Consultative Committee. After a year's experience, the Committee will be in a better position to take an active part in the work of the Commission and to give opinions based on those aspects of Community policies which affect consumers. Accordingly, the Committee will, in the second quarter, on the basis of what has been done by its working parties, send a report to the Commission on the effects of the agricultural policy on consumers; this will be followed in the third quarter by a report on the whole problem of consumer prices. Lastly, in connection with work on the harmonization of foodstuffs legislation an Advisory Committee on Foodstuffs will be set up, on which the Consumers' Consultative Committee will be represented.

As far as agricultural policy is concerned, the Commission will, in accordance with the provisions of the Treaty, ensure that its price proposals for 1976/77 take account of consumer interests.

¹See sec. 255 of this Report.

IV. RIGHTS OF COMMUNITY CITIZENS

64. In addition to promoting attainment of the individual rights and freedoms expressly written into the Treaties¹, the Commission will ensure, as part of the continuing process of formulating and developing Community law, that the fundamental rights of citizens are protected. The Court of Justice has in fact ruled (Nold Case, Judgment of 14 May 1974) that no measures incompatible with fundamental rights recognized and guaranteed by the constitutions of the Member States can be taken. The Commission intends to present a report to Parliament this year indicating the ways in which it proposes to prevent infringements of these rights.

The Commission also intends to make a contribution in connection with implementation of the decision taken by the Heads of State and Government at their meeting in Paris on 9-10 December 1974 to set up two working parties "to study the possibility of establishing a Passport Union and, in anticipation of this, the introduction of a uniform passport" and "to study the conditions and the timing under which the citizens of the nine Member States could be given special rights as members of the Community".

¹See II C and III.