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**Programme
of the Commission
for 1986**

**Statement by Jacques Delors,
President of the Commission,
to the European Parliament and his
reply to the ensuing debate**

Strasbourg, 19 February 1986

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**Introduction of the Commission's programme
for 1986**

Mr Jacques Delors, presenting the Commission programme for 1986 to Parliament on the morning of 19 February, first set the scene for what the Commission was proposing — *to manage the reforms decided upon by the Twelve* — and then developed four main themes:

Mr President, ladies and gentlemen

How can we contemplate the future, and 1986 in particular, aware as we are of the problems — well-illustrated by your debate on the outcome of the Intergovernmental Conference — of finding a compromise that will enable us to move forward?

You have your reservations, we have ours. But it would be a mistake to be overly pessimistic. We must rather remember 1985 as the year that saw the third enlargement of the Community and a measure of internal development — to revert to the traditional European vocabulary. On the strength of this, 1986 should be a year of stewardship but also a year in which we implement the reforms agreed upon. By laying the foundations for revitalization of the Community, sustained by a more effective institutional process, we will demonstrate, to ourselves in the first place, that the Twelve — let me repeat, the Twelve — are capable of advancing together along the road to European Union.

The Commission realizes how much is at stake. It will do everything in its power to *enhance the credibility and effectiveness of Community action, to guide the first steps of the Twelve and to secure optimum utilization of the embryonic institutional structure* enshrined in the Luxembourg agreement.

I propose to devote the first part of my address today to these three points.

But the Commission must also look beyond the Community's frontiers to boost Europe's international role in a year which could be full of opportunity or fraught with danger. It will not be easy for the Commission, whose right of initiative in these areas is often challenged by certain Member States. Nor will it be easy for the Community which is patently incapable — and this is one of its weaknesses — of speaking at the right time with a single voice.

Enhancing the credibility and effectiveness of Community action

Our first concern must therefore be the credibility and effectiveness of Community action.

Credibility is an unfortunate word but it does, I feel, strike a note with MEPs who have to explain European affairs to their constituents back home.

I have already emphasized to other audiences that, economically speaking, the worst is over. This view is confirmed by outside observers, by the press, notably the English-speaking press, which publishes articles on 'Europe's re-awakening' and the new-found dynamism of our companies.

This should encourage us to take wide-ranging action to guarantee our credibility in the short and medium term.

Medium-term action

In the medium term our main task will be to ensure, through legislation and persuasion, that completion of the large frontier-free market is irreversible. I hardly need to remind you that this goal was presented as the driving force behind revitalization of the European venture in last January's inaugural speech, long before there was any talk of an Intergovernmental Conference. In this connection the Commission will be sending you a paper shortly which highlights the extraordinary links between industrial competitiveness and the integrated market.

Integrated market

The integrated market would be easier to achieve if we could anticipate application of the decision-making process which forms part of the Luxembourg agreement. We need to convince ordinary citizens and everyone engaged in economic and industrial activity that they must increasingly think and act in terms of a vast market based on the four freedoms guaranteed by the Treaty: freedom of movement for persons, goods, services and capital.

You have been given copies of the Commission's detailed programme. I will therefore confine myself to two factors which will be decisive in laying the foundations for a revitalized Europe in the year ahead.

The first of these is the gradual liberalization of capital movements. Some commentators argue — not without reason — that this is a precondition for advancing to the second stage of the European Monetary System. May I remind you in passing, since the European Monetary System crops up in so many motions for resolutions, that this second phase entails the creation of a European Monetary Fund.

Closer cooperation in research and technology

The second relates to the links between the integrated market and closer cooperation in research and technology, either within Eureka, which shows great promise, or in the Community context. Under the timetable proposed by the Commission and incorporated more or less unchanged in the Luxembourg agreement, 1986 should see the adoption of the three-stage plan — a multiannual framework programme, Community programmes and variable geometry projects — which will enable Community action to expand to serve our companies and research centres. The multiannual programme — already the subject of concertation under the aegis of Mr Narjes — will be established in this spirit to make the best possible use of our experience with Community and shared-cost programmes and provide our companies and research centres with clear opportunities of working together. Credibility in this context means that it will be to a company's advantage to come to Brussels and work with other companies. This must be clearly spelled out in the multiannual programme.

But technological cooperation along these lines needs the backing of the integrated market. This is why it is important — and industry is aware of this — that progress must be made in 1986 in such areas as harmonization of standards, gradual liberalization of public procurement contracts, protection of industrial and scientific property — of particular significance for Eureka and the Technology Community — and extension of the armoury of financial instruments. In the recent shuffling of portfolios one of our Spanish colleagues, Mr Matutes, was given responsibility for this last area. He will look into ways and means of increasing Community support, developing intervention in the matter of risk capital, and devising formulas tailored to the specific needs of technological development.

Short-term action

So much for the medium term. But the Community needs short-term credibility too, as you have often pointed out.

Cooperative growth strategy

With the international environment improving and substantial progress on convergence being made by some Member States, failure to take advantage of the multiplier effect of Community action would be difficult to justify — above all to Parliament. This is why the Commission, Mr

Pfeiffer, proposed a cooperative growth strategy. It was adopted by Parliament on 14 November last — on a motion for a resolution by Mr Visser, approved by the Economic and Social Committee and endorsed by employers' organizations and the unions at the meeting we organized at Val Duchesse.

This strategy — let me reassure those of you who have fears on this score — rejects the 'locomotive' theory. The philosophy behind it is that each country would use its own margins for manoeuvre — lowering interest rates, reducing the tax burden, providing more incentives for job creation, stimulating productive investment, or reviving its policies on town-and-country planning and public amenities.

This should allow us to press ahead with the restructuring of our economies, the fight against inflation, and get us back to the path of economic expansion and job creation. According to the Commission's estimates — which have been confirmed in the interval — adoption of this strategy, which, as I have said, would merely strengthen close cooperation between countries already on the road to convergence, could add one point to the annual growth rate that would be produced by national policies alone and reduce unemployment by 30-40% over five years. There could be substantial net job creation in most Member States beginning in 1986. With the new oil price and the current dollar exchange rate, the number of jobs created, or the number of unemployed taken off the register, will be of the order of 700 000 to 800 000 a year.

Europe's credibility depends on this too: on its response to young people's anxiety about their future, to the concerns of ailing regions hit by the demise of traditional industries, of mainly rural areas in search of new forms of development in which farmers will have a vital role to play.

If the Commission were to make a solemn appeal today — in which Parliament might join — it would be to urge our governments to step up cooperation rather than multiply preconditions and preserve the vitality of our Community. Europe needs this shot in the arm if it is to regain self-confidence. Here, as in many other areas, the Commission needs to know that it can count on the support and initiative of the Members of this House, eager to set a practical example of European cooperation.

The Commission will therefore fight for its cooperative growth strategy. It knows that by

continuing to promote the dialogue between employers' organizations and trade unions, as it has done successfully for the past year, it can count on their active support. It will propose measures designed to sustain growth by making markets, including the labour market, more efficient, by offering new prospects to small businesses.

Comprehensive infrastructure programme

It is true that the Commission has failed to secure Member States' agreement to a comprehensive infrastructure programme, but it is supporting and monitoring decisions taken by two, three, even four governments on major infrastructure projects. I am thinking here of the cross-Channel tunnel, and high-speed rail links. Others will follow.

But I would like to remind the authors of these questions that the present limits to the structural funds make it impossible to implement the policies some of you would have us follow. I would further remind you that on 20 December last the Council of Finance Ministers rejected the idea of the Community floating a major loan to finance an infrastructure programme. Let's be clear about responsibilities here.

EMS

To return to our programme, the Commission will argue for the gradual strengthening of the European Monetary System, which could prove to be a vital element in the success of the cooperative growth strategy. This would provide a practical illustration of the Commission's unswerving belief — sadly not shared by all Member States — that monetary discipline and economic growth go hand in hand. Before leaving this subject I would like to say that the realists among us recognize that the time is not yet ripe for transition to the second phase, the phase that will entail the creation of a European Monetary Fund. Meantime many improvements could be made to the system under existing provisions. So much for the Community's credibility in the medium and short term.

I would now like to turn to the first steps of the Twelve. I described the 'now we are 12' situation in the following terms the other day: we wanted enlargement, we are scared now that we have it, but we want to stay 12. It is for Parliament and the Commission to deal with these contradictions. If we are not careful, the law of the lowest common denominator could water down our ambitious plans for European Union and

leave us with nothing more than a vast free-trade area combined with a few budgetary transfers. This is difficult to admit but the fact must be faced. Parliament, which experiences the skirmishes which flare up with each budget, with each discussion of the common agricultural policy, with each debate on the structural Funds, is well-aware of the problem.

Consolidating the Twelve's first steps

We wanted a Community of 12. Now let us give it a chance. Let us resist any attempt to take back with one hand what was given with the other — generally in financial terms — when the successive acts of accession were signed or the Fontainebleau compromise of 1984 was accepted.

Danger will dog our steps in 1986. The Community will have to prove to itself that it can survive and prosper with 12 members. It is faced with at least four tests: the common agricultural policy, the search for greater cohesion, the social dimension and the need for adequate financial resources.

Common agricultural policy

I have seen the motions for resolutions tabled by the various groups. Half of them deal with the common agricultural policy. But you will appreciate that presentation of the Commission's programme cannot be devoted entirely to agriculture. Briefly, however, it would be no exaggeration to say that the common agricultural policy is crucial to Europe's destiny. At home, it raises formidable problems of containing surpluses and allocating available funds to better effect; its future will shape the future of many a region; it is an essential component of solidarity among farmers and solidarity between farming and other areas of production. Abroad, it means defending our role as an exporter which is contested by other major powers. Those of you who have read the Farm Bill will know what I mean. This is why I find myself repeating the basic principles again and again: market unity, Community preference and financial solidarity. This is why I counsel caution: any attempt to question these principles would be tantamount to tearing up the contract which binds the Member States. If we are to adhere to these principles while continuing to fight surplus production, it is more important than ever that we should act in concert with the farming organizations which today are more aware of the dangers of a policy which is running out of control.

No doubt Mr Andriessen and myself will have an opportunity of talking about the Green Paper, the philosophy behind the price proposals for 1986/87, and the medium-term prospects for agriculture during the debate.

Economic cohesion

The common agricultural policy is, of course, an essential element in the search for economic and social cohesion in the Community of 12. Cohesion was discussed at length at the European Council. It is a corollary of the integrated market, a precondition for its completion. Beginning in 1986 the Commission will have to map out its future course by implementing the integrated Mediterranean programmes. The Commission has lost no time in vetting the projects which have been filed and has even helped to prepare them. But I am also thinking of measures to assist the steel-producing areas; rural development policies in line with revised guidelines for the EAGGF Guidance Section, which are keeping Mr Andriessen busy; adaptation of Regional Fund rules; and more effective coordination of the structural Funds. And I have not forgotten recourse to the financial instruments to support the courageous adjustment policies being implemented by some countries. For this too is tangible evidence of Community solidarity as two Member States can testify.

Social dimension

The Commission can only welcome incorporation of the social dimension in the Luxembourg Treaty. Beginning this year it promises to translate these aims into proposals to demonstrate to the people of Europe that the creation of a vast economic area, based on the market and business cooperation, is inconceivable—I would say unattainable—without some harmonization of social legislation. Our ultimate aim must be the creation of a European social area. This idea, may I remind you, was rejected as Utopian, dangerous, and irrelevant to the Community venture a few years ago. Today its purpose is clear: to ensure that economic and social progress go hand in hand.

Adequate financial means

I would now like to turn to financial matters. The compromise reached at the Fontainebleau European Council included a financial element. For several years the Community had been contending with the problem of insufficient own resources, which is why a decision was taken

to increase them in two stages. I know from attending meetings of the Council of Finance Ministers that it is bad form to speak of increasing budgetary resources these days, with all Member States pursuing policies of austerity. I know that the Community budget must be administered with the maximum strictness. But I would be failing in my duty if I did not point out to Parliament and our 12 governments that VAT own resources must break through the 1.4% barrier if the Community is to achieve the objectives solemnly adopted in Luxembourg last December.

What is at stake here is the consistency of the agreement. If we are to strengthen consistency we need to combine rigorous management with financial imagination and political courage.

Optimal use of institutional aspects

This brings me to the institutional aspects of Community action, though I have no desire to reopen the debate we had on the last occasion. To get down to brass tacks: what is the Luxembourg agreement if not an appeal for a stronger commitment on the part of the three institutions: the Council, Parliament and the Commission?

Council: to set the priorities

Let us look at the Council first: it must set itself priorities and do everything in its power to meet them. This means not only resorting to the obvious solution of qualified majority voting but also amending its rules of procedure and changing its working methods.

Parliament: to be involved in the definition of priorities

Then there is Parliament: it must be involved in the definition of priorities if it is to be in a position to organize committee work and debates here in the House. Whatever you may think of the new cooperation procedure, you must not underestimate its value as a yardstick for future progress towards democratization of the Community. We won't get anywhere by looking on the gloomy side. The legislative process is essential for completion of the internal market, the Technology Community and increased economic and social cohesion. If it is to work, texts must be drafted clearly, deadlines must be met and interinstitutional relations must be made more effective.

Commission: to propose a simple and credible programme

Lastly, we come to the Commission: it must propose a simple, credible programme for the essential tasks I have just mentioned and ensure consistency between advances on various fronts. It will do so, in close collaboration with the other institutions. The Commission remains open to Parliament and stands by the proposals I made here in January of last year for involving Parliament in the initiation and shaping of proposals. It is prepared to discuss ways and means of making the most of increased concertation, either in committee or in plenary session.

Community action in the international scene

In conclusion I would like to say a few words about Community action in the international scene. The Community cannot but welcome certain developments, since they will have a beneficial effect on its economy. But it must remain aware of its international responsibilities and work to ensure smoother operation of the world economy.

To get down to essentials, three issues merit our attention and demand our commitment today: confrontations on the oil market, the weight of indebtedness; and the opening of a new round of trade negotiations.

Oil-market confrontations

To look first at the oil market: it is impossible to predict the outcome of the jousting in which the oil-producing countries are currently engaged. No one dares to make offers of mediation or answer the question which has yet to be asked publicly: should the cartel be made workable again?

In the short term, of course, most of our economies will benefit from a reduction in their energy bill. But what of those countries to whom oil and gas revenues are vital?

Looking further ahead—as we must always do—too sharp a drop in oil prices could provoke another shock when prices recover—and it will be all the more painful if, in our complacency, we allow our energy policies to atrophy in the meantime. The Commission intends to provide answers to these questions and will place its conclusions before the next Council meeting devoted to energy. Nor has it ruled out the possibility of proposing an initiative to put an

end to the present worrying situation. Before this can be contemplated, however, there must be a good prospect of success. The situation is indeed ominous, particularly for certain heavily indebted countries. The drop in oil prices has aggravated already delicate situations, both as regards foreign finance and domestic difficulties.

Third World indebtedness

Austerity measures introduced by some have certainly balanced the books but they cannot be pursued indefinitely without undermining political and social stability. Today there is the further danger that destabilization could lead these countries to renounce hard-won democracy. This is why the Commission welcomes the Baker Plan. But what is really needed is a favourable conjunction of circumstances creating an environment in which these countries could be viewed separately. As I see it the most important of these is a massive growth in world trade. Since the US economy is now making a smaller contribution, the world naturally expects Japan and Europe to take over.

This brings me back to our cooperative growth strategy, which could be as effective in helping to remedy world problems as in curing our own ills, starting with unemployment.

Other steps could be taken at the same time to root the Baker Plan in reality and make it operational: lower interest rates to reduce the burden of the indebted countries, coordinated action by the commercial banks to look at the situation of individual countries and provide fresh capital, orchestrated moves by the industrialized nations on export credits so that countries experiencing difficulties can import what they need to feed internal development. But we must not overlook the importance of greater concessional flows through the World Bank, the International Development Association (IDA) and regional development banks, and adequate public development aid, which, according to OECD statistics, is on the decline. It is true that the problems of confidence, the sound functioning of the market economy in these countries is important, but nothing, I repeat nothing, can be achieved without adequate public development aid and concessional flows.

The Commission would like to see the Community united in word and deed on this front. Events are pressing, two important international meetings are looming—first the Interim Committee and the Development Committee—though the Commission will be absent at the

express wish of the Chairmen—then the Tokyo Summit. On all sides the demand for Europe is growing. For we are also building Europe when we make our presence felt on the international scene, when we shoulder our responsibilities, when we respond to the appeals and the anguish of the poor countries and the countries in difficulty. Of these the countries of Africa, now more than ever, deserve special treatment. I would like to pay tribute here to the work of your Committee on Development and Cooperation which provides us with ideas and active support.

New round of trade negotiations

The Commission will not relax its efforts to bring the positions of the member countries closer together on the energy problem, indebtedness, and the fundamental issues of world trade and monetary reform. I will confine myself to world trade today as I hope to deal with monetary reform in detail tomorrow in connection with the debate on Mr Bonaccini's report.

On the subject of the new GATT round, we can be pleased, when all is said and done, with what the Community has accomplished, the enormous contribution it has made in bringing positions closer together and paving the way for the opening of what amounts to preliminary negotiations. Vigilance and solidarity could be the Community's watchwords in the months ahead. Vigilance to ensure that trade, monetary and financial issues are considered together, for the reasons I have already mentioned. Vigilance in the search for a balanced outcome: there can be no question, for example, of talks being confined to agriculture. Vigilance to ensure that concessions are made on all sides.

Solidarity too. Solidarity with developing countries which need to export more to survive. Solidarity with developing countries which fear the new round of trade negotiations because they are afraid of being left out of the race in new areas such as services and advanced technology.

But vigilance must be the watchword in our bilateral relations too. We cannot contemplate another step towards multilateralism until we do something about conflicts of interests between ourselves and the other powers in general and our major competitors, the United States and Japan, in particular. The Commission does not look for trouble, but it has a duty to defend our industries and our jobs, to challenge unfair practices and to enable Europe to remain an agricultural power—this is open to question today. The Commission will have to remind the

Member States that there is little point in signing a global declaration, as they did in March of last year, and then going ahead with bilateral negotiations. This merely weakens the Commission's position, the Community's position.

We must also demonstrate our solidarity with the less developed countries of Africa and Asia, the Mediterranean countries and the nations of Central America. The Commissioners with special responsibility for these areas—Mr De Clercq, Mr Cheysson and Mr. Natali—have been active politically—in the best sense of the word. They have helped to establish closer links with these countries, giving us a better understanding of their problems. They will continue to do so in the year ahead. The Commission will demonstrate its sense of responsibility in these various dialogues: it will act in accordance with its concept of a Community which responds whenever its views and aid are sought, a Community which is unstinting in defence of the noblest causes of all—peace and human rights.

The Commission will respond to Parliament's appeals in these areas although the Member States are far from recognizing its authority. With sensible proposals and forceful action, it will persuade the Council to give effect to the Community's determination to assume its full share of international responsibility.

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We all appreciate today that the Community must prove to itself that it can progress with 12 members and the institutional structure which emerged from the Intergovernmental Conference.

We may have reservations, but we must embark on the experiment in good faith with every chance of succeeding. The Commission is prepared to do just this.

It will display all the doggedness and determination necessary to overcome difficulties in laying the foundations for a revitalized Europe: the large frontier-free market, the Technology Community, greater cohesion between Member States, increased monetary cooperation, improved employment and working conditions, and reform of the common agricultural policy which leaves the principles on which it was founded intact. When all is said and done the base for revitalization is no more than a set of conditions which will allow the Community to resume its onward march, which will allow each

country to make its contribution and gain legitimately from it.

History has shown that it is easier to overcome opposing interests and harmonize structures when times are good. A favourable economic situation could therefore help us in our task. But let me say again that we must be in a position to make the most of it by stepping up cooperation. Are the Member States prepared to do

this? This is one of the questions the Commission must ask, conscious as it is of public opinion and those among us who do not even have a job. The Community is entering a new phase modestly and clearsightedly. We can only welcome this sign of increased maturity. Let us hope that on this realistic basis—some would say too realistic—the Community can demonstrate its economic dynamism and our political courage.

The Commission's programme for 1986

I — Revitalizing the Community

Constituting as they do the base for revitalizing the Community, the large internal market, technological cooperation, monetary cooperation, economic cohesion and the social dimension will be the Commission's main concern in 1986.

1985 demonstrated that of these five elements completion of the internal market by 1982 and increased technological cooperation are the most vital. Clearly a large integrated market—to make innovation profitable—and innovation—to keep European firms competitive—are two inextricably-linked components of tomorrow's Europe.

This basic premise is now accepted by all the Member States, in principle at least. This was confirmed by endorsement of the White Paper by the European Council in Milan and in Luxembourg and by inclusion of a frontier-free area by 1992 and the European Technology Community in the agreement reached in Luxembourg. However, this satisfactory outcome would not have been achieved without the active support of Parliament, the Economic and Social Committee and both sides of industry.

This new awareness is heartening. It is also a spur to the institutions. 1986 will be a decisive year for the internal market and technological cooperation. The Community will have succeeded in these strategic areas:

- (i) if it meets the deadlines set in the White Paper;
- (ii) if it adopts a framework programme (1987-91) for research and technological development; this must be clear in form and content and attractive to firms and research centres, encouraging them to cooperate, supporting their efforts to innovate and become competitive, and permitting the integration of technological change into European lifestyles;
- (iii) if the very real implications of the large market and the new technologies for industry and employment are discussed constructively with employers and trade unions, as agreed at Val Duchesse in November.

1.1 The large market

The road to the large market has been clearly mapped out. It involves gradual removal of all physical, technical and fiscal frontiers in line

with the timetable annexed to the White Paper, plus a standstill on the introduction of new barriers. This apparently simple objective conceals the fact that a multitude of decisions need to be taken in various areas (transport, public contracts, standardization, State aids, indirect taxation, harmonization in the professions, plant-health controls, and so on). Effective coordination will be needed to ensure that all the implications for the main Community policies affected—competition, external trade and technological cooperation—are taken into account.

Completion of the internal market also presupposes mutual trust between Member States and a readiness on their part to accept essential change. It must be said that this cannot be taken for granted as yet.

This no doubt explains why, despite the political will clearly voiced on many occasions, completion of the internal market is proving less than easy.

If the deadlines set in the White Paper are to be met, the Commission must advance on three fronts:

- (i) a people's Europe: the general public must perceive, in a tangible, symbolic manner, that real progress is being made towards the creation of a large market (simplification of frontier formalities, immigration, visas, diplomas). The proposals which the Commission put to the Council in the wake of the report of the Adonnino Committee have remained a dead letter so far. But this will not deter the Commission for its part from pursuing its efforts to ensure that the frontier-free area becomes a reality for all Europeans as quickly as possible;
- (ii) consolidating liberalization of the market, with particular reference to the removal of barriers to the free movement of goods and services (VAT and excise duties, plant-health regulations);
- (iii) extending the policy of liberalization and harmonization: public contracts, harmonization of standards, strengthening competition policy.

In so doing the Commission will pay particular attention in 1986 to those provisions of the White Paper which aim to foster technological cooperation.

The Commission will also present a report on the competitiveness of firms, a Green Paper on authors' rights and an inventory of State aids. It will develop competition policy so that the

European dimension can be built into company strategies (legislation on mergers, guidelines for joint ventures, cooperation between small businesses and legislation on franchising).

Completion of the network of transport and telecommunications infrastructures of Community interest is a corollary to the development of the internal market. In 1986 the Commission will press ahead with the drafting of a medium-term transport infrastructure programme and

consider flanking measures to promote the planning and execution of major European infrastructure projects.

A report on the state of play on the internal market will be produced towards the end of March and sent to the Council and Parliament. At the same time the Commission will present a paper on the implications of the emergence of a large integrated market for the Community's external policy.

The large market

Physical frontiers

- Introduction of the single administrative document
- Devising of arrangements to simplify the Community transit procedure so that the submission of transit advice notes can be dispensed with and guarantee requirements relaxed
- Continuation of efforts to secure adoption of the directive on the easing of frontier formalities

Technical frontiers

- Comprehensive memorandum on the implications of the large integrated market for the Community's external policy

Free movement of goods

- New approach to technical harmonization and standards policy (extension of information procedures, advanced manufacturing equipment, certification, recognition of tests and certificates, construction)
- Sectoral proposals on the approximation of laws (motor vehicles, tractors and agricultural machinery, food law, pharmaceuticals and high-technology medicines, chemical products, construction and construction products (safety of buildings, local authority building regulations), other matters (toys, metrology, protective equipment, cosmetics)

Public procurement

Improvement of public procurement directives

New technologies and services

- Proposal for a general directive on radio and television broadcasting
- Proposals on the gradual liberalization of the market in information services
- Proposal on the definition of common technical features of the machines used to produce the new payment cards

Creation of conditions favouring industrial cooperation

- Intellectual and industrial property (trade marks and patents)

Services and taxation

Banking

- Proposal for a recommendation on the introduction of a deposit guarantee system
- Proposal for a recommendation on control of the large exposures of credit institutions

Securities

- Supplementary proposals for directives regarding collective investment undertakings for transferable securities

Taxation

- Proposal for a directive on the special VAT scheme applicable to small businesses other than farmers
- Proposal for a directive on the common flat-rate VAT scheme for farmers
- Proposal for a directive on motor-vehicle insurance
- Proposal on the final stage in harmonizing the structures of excise duties on cigarettes
- Proposal on the harmonization of the structures of excise duties on other manufactured tobaccos
- Proposal on the number of VAT rates under the common system and, in the event of several rates, the list of goods and services liable for the various rates
- Proposal on the levels and brackets of VAT rates and harmonized excise duties (beer, wines, intermediate products, alcohol, mineral oils, manufactured tobaccos)

Competition policy

- Merger controls
- Guidelines or legislative measures for applying the rules of competition to joint ventures, know-how transfer agreements, franchising, copyright licensing (including software)
- Swifter and more transparent procedures in State aids cases
- Preparation of an inventory of aids
- Gradual adjustment of national monopolies of a commercial character (Article 37), including monopolies in Spain and Portugal
- Application of the anti-dumping regulation adopted in connection with accession of Spain and Portugal for a transitional period
- Intensification of the policy of monitoring for national regional aid schemes

1.2 Technological cooperation and development

The agreement reached in Luxembourg on revision of the Treaty sets the Community the objective of strengthening the scientific and technological base of European industry and encouraging it to improve its international competitiveness.

The Community's research and technological development activities are to be organized around three types of programme:

- (i) a multiannual framework programme, to be adopted unanimously, which will provide a basis for balanced overall development of Community action;
- (ii) Community programmes, to be adopted by a qualified majority, which will define specific

objectives, promote cooperation between firms and research centres, and allow participation by non-member countries;

(iii) supplementary programmes, which will involve certain Member States only.

In 1986, in a 12-nation Community with new decision-making machinery, the Commission must demonstrate:

(i) its ability to react in good time in an area where swift decisions are vital;

(ii) its capacity to combine solidarity with flexibility in a multi-faceted Community;

(iii) its determination to offer industry assistance to cushion it from some of the development risks, chiefly in areas of strategic importance.

The Community must have access to all the scientific and technological knowledge it requires if it is to maintain its position as a major economic and industrial power in the years ahead. With this in mind, the Commission's aim in relation to research and technological cooperation is to 'put Brussels on the map', by using its budget appropriations, its experience and its financial instruments to best effect. Industry must be able to count on Commission support for its development strategy.

In addition to administering existing programmes, the Commission will concentrate in 1986 on launching the new framework programme (1987-91) which will cover all the Community's research and technological development activities. To this will be added preparatory work on the second phase of the Esprit programme, the start of the main phase of the RACE programme, revision of the multi-annual programme of the Joint Research Centre (JRC), presentation of a proposal for a new five-year programme on thermonuclear fusion (JET) and new initiatives aimed at creating a 'research workers' Europe'.

The Commission will also continue to contribute to the development of Eureka and the implementation of specific projects conducted under that programme.

The Commission wants its action to promote technological cooperation to be:

(i) flexible, in that it attempts to combine direct action (JRC) with shared-cost action (on the lines of Esprit), concerted action (on the lines of COST) and participation in variable-geometry projects;

(ii) effective, in that it builds on rather than replaces national programmes, increasing coordination between them and thus enhancing their value (Community R&D budgets represent no more than 2% of total public R&D expenditure in the Member States). Community action should play a more significant role in the areas covered than it has in the past (on the lines of the Esprit programme, which mobilizes 25% of all pre-competition research in information technology); it should multiply synergic effects and make it possible to keep European research at the forefront of the world scene (e.g. through the fusion programme);

(iii) diversified, in that financial instruments geared to the different phases of technological cooperation between Community firms could facilitate the implementation of programmes; this is why the Commission will be taking initiatives with regard to financial instruments.

As to the approach adopted, the Commission will see to it that its technological cooperation and development effort proceed hand in hand with its trade, internal market and competition policies, with a view in particular to improving the dissemination of innovation (financial instruments, and access by small businesses to innovation). The Commission will endeavour to ensure that firms can enjoy the benefits of common standards based on international norms. This standardization policy should promote the liberalization of public procurement contracts, particularly in the telecommunications field, make for compatibility between new equipment and services, and lead to the development of multi-vendor systems open to competition.

The new framework programme will place all these elements (flexibility, effectiveness, diversification and consistency) in perspective to give shape to the European Technology Community and take advantage of the opportunities opened up by the agreement reached in Luxembourg. If Europe is to have a durable technological base, innovative technological development must take place in a genuinely competitive environment so that European industry can expand and maintain comparative advantage on world markets.

The timetable has been clearly defined: the main lines of the Commission's policy, including the strategic objectives and the topics covered by programmes, will be defined during the first quarter for presentation to the Council and Parliament. In the light of their reactions, the Commission will produce a definitive proposal for a framework programme early in the third quarter.

Research and technological development

- Proposal for a framework programme for research and technological development (1987-91)
- Interim reports on the implementation, scientific value and interest to the Community of the seven multiannual research programmes adopted in March 1985 (thermonuclear fusion, radiation protection, radioactive waste, biotechnology, stimulation, Brite and non-nuclear energy sources).

R&D

- Overall assessment of the activities, programmes and operation of the Joint Research Centre (JRC); new guidelines
- Proposal for the revision of the JRC's multiannual research programme (1984-87) with a view to the implementation of a new four-year programme

Information technology and telecommunications

- Proposals for decisions relating to the second phase of the Esprit programme (Esprit II) and the detailed work programme for that phase.
- Communication on the installation of a transnational broadband backbone network for business traffic
- Communication on progress in creating a European telecommunications area
- Communication on the introduction of a second-generation mobile cellular telephone system in the Community
- Communication on the introduction of high-definition TV in Europe
- Progress reports on the multiannual data-processing programme (evaluation of the programme and the economic situation of the information technology industry)
- Proposal for a decision on implementation of the main phase of the RACE (Research on advanced communications in Europe) programme

Biotechnology

- Proposal relating to the Biceps (Bio-informatics collaborative European programme and strategy) programme
- Proposal for a multiannual R&D programme relating to biotechnology applications in the agro-industry

Technological activities in other sectors

- Proposal for a multiannual (1987-90) programme in the field of medical research
- Proposal relating to the Delta (Developing European learning through technological advance) programme
- Proposal relating to the Drive (Dedicated road safety systems and intelligent vehicles in Europe) programme

- Proposal for a decision relating to a programme on electronic data transfer for business users
- Proposal on new measures to supplement the initial (1985-88) plan for stimulating scientific and technical cooperation and interchange in Europe (assistance for top-level scientists, and optimum operation of major scientific facilities in Europe)
- Proposal for a new multiannual (1987-90) research programme on science and technology for development

Innovation and industry

- Proposal on the coordination of national policies relating to machine or machine-assisted translation (Systran)
- Proposal extending the Eurotra programme (R&D project relating to an advanced machine-translation system)
- Intensification of measures to promote innovation and technology transfer, with special reference to infrastructures and risk capital
- Proposal on stimulating the innovation process in industry, notably through tax arrangements
- Proposal on the utilization of the results of Community research

1.3 Monetary cooperation

A monetary policy centred on internal and external stability remains essential to revitalization of the Community. The European Monetary System (EMS) provides a tried and tested framework for coordinating national monetary policies. Its importance was recently confirmed by agreement on the insertion of a new chapter in the Treaty. The EMS, as the guarantor of monetary stability and predictability in Europe, must be strengthened.

In 1985 the Council adopted a package extending the role of the ECU in cooperation between central banks. This coincided with a marked, spontaneous increase in the private use of the ECU, especially in trade. This should continue in 1986. Issues of ECU-denominated bonds on the international market came to 1 900 million ECU in 1983, 3 400 million in 1984 and 9 400 million in 1985. In 1985 the ECU had become the fifth most important international currency for bond issues, after the US dollar, the Swiss franc, the yen and the German mark. The ECU is in third place on the Euro-currency market.

Total ECU-denominated claims held by the banks are increasing in step with this development. They stood at approximately 50 000 million ECU at the end of last September.

Building on the progress already made, thanks to the EMS, towards economic convergence and the coordination of Member States' policies, the liberalization of capital markets could gather momentum in 1986 and strengthen the cohesion of the EMS.

In the first half of the year the Commission will transmit concrete proposals to the Council on extending the scope of the general Directive on the liberalization of capital markets, in force since 1962. In line with commitments given to the Council last year the Commission, following consultation of the European Parliament, will propose that the two major Community balance-of-payments support instruments be consolidated.

European monetary cooperation adapted and strengthened in this way will then be in a position to contribute to the economic dynamism of the Community.

Monetary cooperation

- Proposals amending the general Directive on the liberalization of capital markets in force since 1962
- Amendment of the protective measures authorized for France and Italy under Article 108(3) of the Treaty, restricting their scope in line with the liberalization measures taken by these Member States since December 1984
- Consolidation of the two major balance-of-payments support instruments (medium-term financial assistance and Community loans)

1.4 Economic and social cohesion

Europe's economic recovery must not centre on the Community's most developed regions to the detriment of less-favoured areas which are lagging behind, experiencing acute industrial decline, or only beginning the process of gradual integration into the Community of the Twelve. On the contrary, the large frontier-free area enjoying the benefits of commercial and financial integration and of modern technologies, which is to be the cornerstone of revitalization, can only succeed if it is accompanied by greater economic and social cohesion and efforts to reduce the gap between central regions and less-favoured peripheral regions. The Community's structural policies provide the key here.

In 1985 the Commission made significant progress towards making the structural instruments more effective. Gradual implementation of the new ERDF Regulation, adoption and launching

of the integrated Mediterranean programmes, and strengthening internal coordination structures provide striking proof of this.

These efforts must be continued in 1986, not least in response to the new situation created by enlargement. The Commission will set to work on harmonizing and simplifying the operating rules of the Funds, clarifying and rationalizing their tasks and strengthening coordination between them and with other financial instruments, notably the lending instruments.

The Commission will present a comprehensive proposal in this regard which will also deal with application of the new decision-making process advocated by the Intergovernmental Conference, based on the new provisions on economic and social cohesion.

The lending instruments too need to be supplemented and adapted to new needs (risk and innovation capital, R&D, major infrastructures).

Structural instruments

Preparation of a comprehensive proposal on the effectiveness and rationalization of the Community's structural instruments in line with the chapter of the Single European Act dealing with economic and social cohesion.

Coordination of the structural instruments by means of an integrated approach (examination of draft IMPs received from the Member States and proposed by the regions before the end of 1986 when programmes start, coordination of Community grants and loans in ailing steel-producing areas in line with the Commission's June 1985 communication to the Council, notification to the Member States of practical guidelines for the management of integrated programmes)

- Definition of specific rural development measures eligible under Article 18 of the EAGGF Guidance Regulation
- European Social Fund priorities for 1987-89
- Transmission to Parliament and the Council of the first report on the implementation of the new ERDF Regulation and its implications for regional policy
- Commission Communication on interest-rate subsidies on ECSC loans (first paragraph of Article 54)

1.5 The social dimension

Completion of the internal market must not be allowed to compromise the Community's social priorities. This is the Commission's understanding of the European Council's wish to improve the working environment, particularly the health and safety of workers, a wish which has been incorporated in the revised Treaty. The prime objective will be the harmonization, by means of Council directives adopted by a qualified majority, of living and working conditions, with particular reference to health at work, accident protection and vocational training.

This objective is closely linked with the creation of an economic and social area without frontiers for there must be at least minimal harmonization of working conditions if efficient operation of the large market is not to be hampered by serious distortions. It goes without saying that any harmonization in this field must mean a levelling upwards, not downwards. Indeed the new Treaty provisions make it clear that there is nothing to prevent Member States retaining or introducing more stringent measures.

Both sides of industry have stressed that completion of the internal market, the cooperative growth strategy for more employment, and the launching of several major infrastructure projects of Community interest constitute a package vital to economic and social progress. They have also urged the need for a more accurate assessment of the impact of the necessary restructuring

and modernization on individual industries and firms.

To this end, in accordance with the resolutions adopted at the meeting between workers' and employers' organizations at Val Duchesse, joint working parties of trade union leaders and major industrialists are to hold regular meetings, which will be attended by Commission representatives.

At the same time, the Commission will continue to give priority to workers particularly affected by industrial restructuring or living in less-developed regions, in line with the Social Fund guidelines adopted in 1985.

In addition to these aspects of social policy which are directly related to employment and working conditions, the Commission intends to continue the action begun at the end of 1985 to promote the mobility of young people within the Community. A successful start to the Comett programme and adoption by the Council in 1986 of the Erasmus programme and the youth exchange scheme (YES) should enable more than 130 000 young people to experience the reality of Europe over the next three years. This will take various forms, including training periods in firms in other Member States, university courses in other Community countries, and exchanges.

All these activities are designed to encourage commitment to the Community's aims among the younger generations and to promote mobility of human resources, which is a prerequisite for a genuine frontier-free area.

Initiatives in the social sphere

- Extension of the second programme to combat poverty and illiteracy
- Communication on living and working conditions
- Implementation of the 1986-90 programme to promote equal opportunities for women and proposal for new measures to promote equality in education
- Implementation of the Community action programme in education and training for technology (Comett)
- Report on measures to combat illiteracy
- Guidelines for the European Social Fund (1987-89)
- Communication on forward-looking labour market policy
- Action programme to promote the social integration of the handicapped
- Medium-term projections of social protection expenditure and receipts
- Proposals in the fields of migration policy and social security for migrants
- Action on health and safety
- Adoption and launching of the new three-year youth exchange scheme (YES)
- Implementation of the new multiannual European Community action scheme for the mobility of university students (Erasmus)
- Communication on European action to combat cancer

II — Community policies

2.1 A cooperative growth strategy for more employment

Unemployment remains the major challenge for Europe's economies. The Commission remains convinced that a return to strong and sustained job-creating growth will be possible only if there is a high degree of coherence—in conditions of monetary stability—between policies pursued in reshaping the regulation of supply and demand within the Community and between the major industrialized areas.

The conviction is reflected in the cooperative growth strategy for more employment set out in the annual economic report for 1985-86. The positive reaction both by the Community institutions—Council, Parliament, and ESC—and by the two sides of industry will make it possible to press ahead in 1986 with translating this strategy into reality in the economic policies and industrial relations of all the Member States and making it the cornerstone of Community action for increasing coordination between the industrialized countries and improving the balance of the world economy.

This conviction and these practical objectives will inspire the Commission's economic and social policy initiatives in 1986 even if the methods to be applied on this front differ from those geared to 'revitalization'.

In the year ahead the Commission intends to exploit and expand, at Council and government level, the consensus achieved on the cooperative growth strategy, to press on with its efforts to promote coordination between the industrialized countries and improve the balance of the world economy, and to intensify its analytical work and its efforts to win over the different economic and social groups.

To exploit and expand policy-makers' consensus on the cooperative growth strategy for more employment

The periodic meetings scheduled by the 1974 Council Decision on economic convergence (March, July and December 1986) will provide an opportunity to spell out how the proposed strategy can be implemented in the individual Member States and in the Community as a whole. This will be done in the light of domestic trends, notably the development of real wages and public deficits, and by reference to the

opportunities which may or may not be generated from outside (oil and raw material prices, interest rates, the performance of the dollar and so on). The Commission is keeping a close eye on recent developments on the oil market and will indicate, when the time comes, whether and how these can be used by the Community to achieve its energy, growth and employment objectives.

The aim is to combine wage moderation and non-inflationary demand growth to reverse the trend in capital stock in such a way as to assist job creation: productive investment in Europe has slowed down for a number of years, with a strong shift towards labour-saving rationalization investment.

This will require constructive cooperation from all concerned—governments, employers and unions—to which the Commission wishes to contribute by encouraging a stronger and wider dialogue between the two sides of industry at Community and at national level and by clearly spelling out, in its reports to the Council and Parliament, the content of its proposals in respect of national economic policies to be adopted in 1986.

To promote coordination between the industrialized countries and improve the balance of the world economy

Disorderly adjustment of the economic trends of the major industrialized countries, with its damaging consequences for the growth of world trade, the balance-of-payments structure, exchange-rate relationships, and interest-rate differentials, would seriously compromise growth and job creation in Europe, to say nothing of the effects on the indebtedness of the developing countries.

Greater coordination between the industrialized countries must therefore be one of the Community's major goals in 1986 if it is to benefit from a buoyant and better balanced international environment.

The Commission will accordingly formulate a coherent strategy for its participation in the key economic events of 1986: the OECD ministerial meetings, the meetings of the IMF Interim Committee and the Development Committee of the World Bank and the Tokyo Summit. It will present a global approach to the issues in question, ranging from the policy mix of the industrialized countries (monetary policy and fiscal policy) to the implementation of appropriate

financial solutions for the various problems of indebtedness, the safeguarding of an open trading system and the orderly development of exchange-rate relationships.

To intensify its analytical work and attempts at persuasion

A number of fundamental themes are already emerging from the detailed analyses of the structural conditions needed for a lasting improvement in growth and employment in Europe begun by the Commission in 1985:

- (i) creating closer links between a large internal market, the development of scientific and technological cooperation and the growth and employment dynamic within the Community;
- (ii) extending the concepts of flexibility and adaptability of the economy beyond the operation of the labour market, by taking into account all the structures (financial, tax, educational and other) which determine the business environment and influence the allocation of capital and the level of training;
- (iii) attempting to make optimum use of the new technologies, reconciling at sectoral and company level the requirements of competitiveness with a better balance in industrial and labour relations.

The basis for this effort will be the dialogue between the two sides of industry and the impetus given by the working parties set up at Val Duchesse in November 1985. Use will also be made of the numerous forums in the Member States, especially in the form of scientific, university and socio-economic groupings.

To give a new impetus to the fight against poverty

Despite the existence in Europe of comprehensive social protection systems, economic restraints and the accelerating pace of technological change have led to a sharp rise in the number of those falling through the net. Isolated from the economic process by unemployment, all too many of them are also cut off from collective support and are unable to fall back on a network of private support because of alienation and the monetarization of social relationships.

Thus the unemployed who have exhausted their entitlement to benefit, women on their own with no income, those forced into early retirement whose working relationships have been prematurely severed, migrant workers and their families, and young people partially or totally cut off from the mainstream of society are today's potential poor.

These new forms of poverty underline the deep-seated malfunctioning of our economies and our societies and highlight the need for a reform of social policy.

The present structure of this policy with its traditional criteria (the family, illness, industrial accidents, old age, unemployment insurance, the handicapped, public assistance) make it difficult to get to grips with poverty situations. The problem is both urgent and highly complex and the Commission has no intention of preaching. It merely feels that it is its responsibility and duty to play a greater part in deliberations and collective action on the basis of the second programme to combat poverty and illiteracy now in the process of implementation.

Dialogue between the two sides of industry

- Setting up working parties (representatives from both sides of industry and the Commission) as agreed at Val Duchesse on 12 November 1985 to expedite implementation of the cooperative growth strategy for more employment
- Extending the dialogue at national and sectoral level

Cooperative growth strategy for more employment

- Consolidating and furthering progress on the road to stability
- Improving profitability, especially that of job-creating investment, through moderate real wage increases that fall short of productivity growth

- Sustaining demand by exploiting the available room for manoeuvre (e.g. reducing taxes and social security contributions and increasing public investment)
- Providing back-up for the strategy through the achievement of the large internal market, the creation of a 'European Technological Community', and aid for infrastructure projects of European interest
- Improving market adaptability
- Highlighting the importance of cooperation (at international level; coordination of economic policies in the Community; dialogue with the two sides of industry)

Coordination of economic policies

- In the first, second and fourth quarters (annual economic report) presentation of a communication on the economic situation in the Community
- Monitoring implementation of economic policy strategy in the Member States; presenting associated proposals—also in the light of new internal and external economic developments

2.2 Small business

In the current climate of rapid economic and social change, small and medium-sized firms can play a particularly important and beneficial role in job creation and technological innovation. In the Community, however, the environment is often hostile to the start-up and expansion of small businesses. In addition to the obstacles which still hamper trade and cooperation within the Community, there are administrative and legal constraints, the tax burden, the shortage of capital and substantial costs and implications of failure.

This is why small businesses must be helped to take full advantage of the large integrated market. Vocational training and the use of the Community financial instruments are areas for priority action here. Special attention will need to be paid to strengthening the capital base of small businesses and financing investments involving the application of new technologies.

Following the commitments made at the European Council the Commission intends to assess the implications of new proposals for small business as a matter of routine and to make a specific analysis of existing Community regulations from the point of view of small business expansion and job creation.

Small business

- Assessment of the implications of each new proposal for firms and job creation; analysis of key existing Community regulations to establish how they could be simplified to assist small business and create an environment more favourable to job creation
- Intensification of studies on financial instruments of Community interest best adapted to the needs of small businesses, particularly those engaged in cross-border operations or activities linked to Community research and development programmes
- Creation of a departmental structure to coordinate the preparation of initiatives designed to simplify the administrative, fiscal and legal environment for small businesses, with the wider aim of including promotion of small business and employment amongst the Commission's priorities in the legislative field

2.3 Common agricultural policy

1985 was dominated by the major debate on the reform of the CAP triggered by the Commission's Green Paper. But this debate must not be allowed to overshadow the actual progress made during the year: changes to the arrangements for wine, adjustment of the structures policy and preparations for enlargement, to name but some particularly important examples. However, the price negotiations also revealed the potential difficulties facing rationalization of the CAP, even if there is a general consensus on the need for reform.

The guidelines adopted by the Commission in December, following several months of consultations on the Green Paper, and its memoranda on milk, cereals and beef/veal provide a realistic assessment of the prospects for the CAP over the next few years and constitute a basis for action which should be implemented without delay. The Commission has therefore set itself the following priorities:

- (i) gradually to reduce production in sectors in surplus, thereby bringing down costs;
- (ii) to promote product diversification and quality improvement adapted to the internal and external markets;
- (iii) to support farming in areas where it is vital to regional planning, maintenance of the social fabric, and conservation of the natural environment and the landscape;
- (iv) to address itself more systematically to the difficulties facing small family farms;
- (v) to consolidate export capacity;
- (vi) to contribute to the expansion of industries processing agricultural products;
- (vii) to stimulate the development of new outlets, e.g. utilization in industry, where this is shown to be economically justifiable;
- (viii) to make farmers more aware of environmental problems.

A cautious—and if necessary restrictive—prices policy will continue to be a key factor in helping to achieve the balanced development of agricultural production in the medium and long term. It would however be unrealistic to assume that this policy alone will be enough to achieve the desired objectives, and particularly to curb the increase in production and reduce the budgetary cost of surplus management. It is essential to

bear in mind the extremely varied structural nature of European agriculture, which makes sudden drastic reductions in institutional prices socially—and consequently politically—unacceptable. Hence the Commission's decision, which also reflected the wishes expressed during consultations, to opt for a package of measures geared to selective and progressive action, when it presented its price proposals for the 1986/87 marketing year. This package of measures will be supplemented by other proposals on structures designed to help farmers adapt to the new market realities and to promote economic development in the rural areas of the Community.

In sectors where the situation is particularly critical because of the high level of public intervention stocks and the increasing imbalance between trends in production and demand a rigorous reform policy is now the only answer. In the case of milk, the Commission is proposing a scheme to buy back individual quotas in order to reduce the overall surplus. For cereals, its aim is to improve product quality and to make farmers more aware of the problems of product disposal through the introduction of a co-responsibility levy and changes to the intervention mechanisms. In the beef/veal sector, adjustments must be made to the market support system, making its operation more flexible and supplementing it by direct aid for specialized producers to replace the existing premiums.

To fulfil the commitments given during the accession negotiations, the Commission will also present the Council with proposals for reforming the market organizations for oils and fats.

In addition, a multiannual programme will be introduced to reduce public stocks of agricultural products to a reasonable level.

Even more than in the past, socio-structural policy must form an integral part of the overall strategy for reform of the CAP. It should therefore be based on the following guidelines:

- (i) continuation of adjustments without impairing young farmers' prospects of setting up;
- (ii) encouragement of product disposal by improving processing and marketing structures;
- (iii) continued support for farming, especially in less-favoured areas.

Between now and the summer, the Community will also have to give serious thought to commercial policy for several reasons: the recent adoption of new agricultural legislation by the

United States, the need to adapt and supplement Community instruments on the exportation of agricultural products, the prospect of multilat-

eral trade negotiations, and the importance to be attached in this new context to the concept of community preference.

Agriculture

- Further adjustments to the market organizations
- Proposals for reforming socio-structural policy in line with the guidelines set out in the Green Paper: adjustments to reflect new market developments; diversification of instruments; heeding the concern about the environment and regional planning
- Implementation of the measures advocated in the White Paper in respect of the veterinary sector, and animal/plant health
- Communication on commercial policy
- Monitoring of State aids and introduction of new aid guidelines

2.4 Other sectoral policies

Common fisheries policy

Following the introduction of the common fisheries policy and the challenge of internal organization, the Community fisheries sector has now entered a third phase. With the accession of Spain and Portugal, the sector is now among the largest in the world in terms both of fishing capacity and markets. It is therefore imperative to ensure that the policy is effectively implemented and its rules respected.

The consequences of enlargement will be taken into account in proposals for the revision of the structures policy, the efficient organization of markets and the effective monitoring of fishery activities.

Major negotiations with non-member countries will be required. The bilateral arrangements of the new Member States will have to be integrated into the Community framework. In ensuring the availability of external fishery resources, the Commission will adopt an imaginative and wide-ranging approach.

Fisheries

- Review of structures policy
- Integration of agreements concluded by Spain and Portugal with non-member countries into the Community framework and negotiations with other partners
- Continuation and tightening of controls

Transport

1986 is Road Safety Year. The Commission will mount a campaign to increase public awareness of the problems and make a number of specific proposals designed to improve the safety of road vehicles and their users.

The Commission will make proposals designed to create a more integrated and efficient transport market. The objective is to ensure the freedom to provide services for inland transport — both goods and passengers. The Commission will also propose measures which will enable the Community to progress towards a new market

organization for intra-Community road haulage by 1992.

For air transport, a more flexible organization of the market which benefits the air traveller should be put in place. The package before the Council — which should be adopted in 1986 — offers a balanced solution between the relaxation of the existing system in the civil aviation

sector and the dangers of 'uncontrolled deregulation'.

In the shipping sector the Commission will urge the Council to reach agreement on the four proposals under discussion. These proposals are aimed at stopping the further decline of the Community's merchant fleet and will enable the Community to ensure the freedom to provide services in the field of maritime transport.

Inland transport

Road transport

- Proposal amending Regulations No 177/66, No 516/72 and No 517/72 (access to the international passenger road transport market)
- Proposal for a Regulation on access to the international non-quota road haulage market by 1992 and transitional arrangements for 1987-92
- Proposal amending the Regulation on price formation in international road haulage from 1 January 1989
- Proposal for a Directive approximating the levels of direct taxation on commercial vehicles
- Proposal for a Directive on the levying of certain motorway tolls
- Activities to mark Road Safety Year (1986)

Infrastructures

- Medium-term transport infrastructure programme
- European high-speed train network

Air transport

- Continuation of efforts to introduce greater flexibility in the organization of air transport, with particular reference to fares and capacity
- Proposal amending the Directive on inter-regional services

Sea transport

- Continuation of priority activities in the Commission's memorandum of 14 March 1985 on maritime transport (coordinated action to safeguard free access to cargoes in ocean trades, application of principle of freedom to provide services to sea transport, application of Articles 85 and 86 of the EEC Treaty to sea transport, and unfair pricing practices)

Energy

1986 should be a year of consolidation for the Community's energy policy. Although the abundance of energy supplies on world markets and the fall in oil prices have substantially improved the short-term situation, the Commission, while continuing to monitor developments, will not lose sight of the need to ensure the stability

and availability of supplies in the medium to longer term.

The Commission will seek early adoption by the Council of the Community's energy policy objectives for 1995 and will monitor progress towards their achievement. At the same time, it will continue to promote the development of technological innovation in the energy field and will step up energy cooperation with non-member countries.

Energy

- Continuation of efforts to secure full agreement by the Twelve on the new energy policy objectives proposed by the Commission in 1985
- Continuation of the Community's multiannual research and demonstration programmes
- Communication to the Council on the medium-term outlook for gas consumption and the possibilities of stable and diversified supplies
- Communication to the Council on electricity and new sources of energy

Environment

Environmental policy is now recognized as an essential element of economic, industrial, agricultural and social policies and 1987 has been proclaimed 'European Environment Year'. The Commission will take a number of initiatives in preparation for this: encouragement of model projects for environmental protection and rational use of resources, monitoring the environment and promoting awareness of the issues at stake.

With a view to contributing towards a reduction in air pollution, the Commission will endeavour

to supplement existing rules by proposing measures to the Council to restrict the emission of pollutants, notably by road users.

1986 will also see major discussions on the shape and priorities of environment policy over the next three years. Before the summer, the Commission will propose the fourth three-year action programme which should be adopted by the Council before December. The Commission will also propose an initiative on employment in the environment sector — including provisions for demonstration projects on job creation in each Member State.

Environment

- Preparations for European Environment Year (1987)
- Air pollution: further efforts to secure the adoption of decisions on pollution by large combustion plants and tighten up the rules on motor vehicles (in particular diesel vehicles and heavy goods vehicles) and conditions for their use
- Termination of the Community's third environmental programme and preparation of the fourth programme which will concentrate on three focal points (protection of natural resources, prevention of pollution and integration of environment policy into other policies)
- Water pollution: implementation of the directive on protection of the aquatic environment
- Sea pollution: activities will include preparations for the second international conference on the North Sea scheduled for 1987
- Dangerous substances: continued application of the sixth amendment to Directive 67/549

Forestry

In December 1985 the Commission adopted a consultative paper on Community action on forestry. The Commission intends to wind up consultations with the other institutions and the

various interests involved before the end of June. It will then put forward concrete proposals in the three areas analysed (afforestation, improved exploitation, and protection of existing forests). Some of these proposals will be closely linked to reform of the common agricultural policy.

Forestry

- Proposals to the Council based on the conclusions to be drawn from consultations on Europe's forests
- Acid rain and forest fires

Consumer affairs

Consumer protection is an essential feature of Community policy both because of concern for the well-being of the individual and of the need

for proper implementation of the internal market. The Commission will take new initiatives in the area of product safety, health protection, consumers' economic interests and consumer information.

Consumer protection

- Continued implementation of the priority programme on product safety (protection of children, toy safety, information on accidents in the home)
- Proposal for a directive on the approximation of legislation on products which, because their appearance is deceptive, present a danger to the health and safety of consumers in general and children in particular
- Consumer health (cosmetics, labelling and presentation of foodstuffs)
- Consumers' economic interests (consumer credit, package holidays)

Culture

The European Council intends to devote some time in 1986 to a discussion of the Community's role in the cultural sector and the Commission will be drawing up proposals to this end. It also intends to organize a major conference before the autumn at which intellectuals and creative artists will analyse Europe's cultural future.

Awareness of the European dimension presupposes familiarity with Europe's culture. The Commission will support and encourage initiatives aimed at rediscovering the history of our continent, whether these take the form of scholarly investigations, educational studies, or projects using the audiovisual media.

These activities will be paralleled by closer contacts with professional broadcasters and creative

artists in an attempt to increase the Community's ability to mobilize modern means of communication to disseminate European culture inside and outside the Community. 'European Cinema and Television Year' in 1988 will provide an opportunity for taking stock in an area vital to Europe's cultural future.

Since European culture has always been enriched by other cultures and other civilizations, the Commission will endeavour to promote the Community's cultural relations, notably with the rest of Europe.

The extraordinary development of means of communication as the 20th century draws to a close is making the remaining frontiers in this sector obsolete. A new area is being created which must be organized at European level.

Cultural cooperation

- Preparation of proposals on Europe's role in the cultural sector for presentation to the European Council
- Organization of a major conference on the relevance and potential of the cultural sector in the development of a modern European society
- Definition of a broadcasting policy (see also Sections 1.1 and 1.2) including the implementation of an R & D programme for broadcasting productions, and research, promotion and production measures in multilingual television and European information
- Specific measures (proposal on translation, computerization of libraries, appointment of an advisory committee on books, continuation of the architectural heritage programme, support for cultural events of European interest)

2.5 Budgetary policy

Whatever the outcome of the current dispute between the two arms of the budgetary authority, at least this year a budget exists and Community policies can be implemented. However, a number of factors suggest that the Commission will be obliged to present a supplementary and amending budget for 1986:

- (i) the increase in the rebate due to the United Kingdom for 1985 under the terms of the Fontainebleau agreement,
- (ii) the exceptional circumstances of the fall in the dollar exchange rate and the consequent revision of estimates for EAGGF Guarantee section expenditure,
- (iii) the assessment of the obligations the Community must meet in line with commitments entered into in previous years for the structural funds.

Budgetary management

Budgeting on a year-to-year basis has proved inadequate for the sound management of Community policies. Management cannot be optimal with a one-year time horizon. Budgetary rigour must be combined with multiannual programming based on a clear choice of policy priorities after a thorough political debate.

The programmatic approach to the budget

The Commission will adopt a programmatic approach to the budget. Its preliminary draft for

1987 will be drawn up as part of a four-year framework for 1987-90 where priorities for policies and programmes will be made explicit. Once the framework is adopted any increase in appropriations for activity in one policy area must be matched by a decrease in the same policy area or a transfer between policy areas based on a rescheduling of priorities. However, the multi-annual budget will be revised each year to take account of the need for dynamic Community developments.

The first budget to be proposed by the Commission as part of the four-year framework will be drafted against the background of extreme budgetary rigour imposed by the existing 1.4 % VAT ceiling and compliance with the guidelines for agricultural spending adjusted for enlargement. This means that clear, sometimes difficult, political choices will have to be made.

2.6 A mobile and efficient European civil service

The programmatic approach to the allocation of posts

The programmatic approach will be adopted for the management of the Commission's most precious resource — its staff. Beginning in 1987 a four-year rolling plan for the allocation of posts between policy areas will be put into operation. The plan will reflect political priorities defined in the four-year budget framework.

Once the allocation has been made, redeployment will be possible within and between policy areas as new priorities are defined.

A reserve of posts which can be distributed as priorities change or new needs arise will be essential for flexible staff management. It would allow new staff requirements to be satisfied on a short-term basis before reallocation takes place within or between policy areas. In this way the Commission will be able to reduce its requests for new posts to a minimum.

Modernization of staff policy

Public administration must be continuously adapted if it is to keep abreast and take advantage of social and technical change. The unique nature of the European civil service and the daily challenges it faces call for an active strategy to make optimum use of human resources and to

promote the professional and personal satisfaction of European civil servants.

2.7 Communication and information

In 1986 the Commission will undertake a detailed analysis of the Community's image at home and abroad on the basis of existing studies and specific surveys. The Community's image is still vague and sometimes negative. This exercise will back up efforts to revamp information policy and redirect it towards the general public. Apart from the information campaigns now being mounted to publicize the Community's main objectives for 1986, the Commission is taking specific initiatives of immediate interest to the man in the street (road safety campaign, sports events and the like).

Communication and information

- Detailed analysis of the Community's image at home and abroad on the basis of existing studies and specific surveys
- Continuation and development of information programmes (enlargement, large market, people's Europe)
- Organization of special events to mark the first-ever Europe Day (9 May) and the centenary of the birth of Robert Schuman (29 June)
- Redirecting the information effort towards the general public through the organization of specific European sport events

III — The Community in the world

The international situation at the beginning of 1986 is marked by growing uncertainties overshadowing the world economy (the indebtedness and solvency problems of certain developing countries, widely fluctuating commodity prices), offset by new opportunities for developing more effective international cooperation: the withdrawal of objections to a new GATT round, new attitudes in the United States to economic, monetary and financial cooperation, and a recognition by Japan of its growing responsibilities in these areas.

These developments demand that Europe should make its own contribution to the smooth operation of the world economy, particularly by increasing domestic demand (see Section 2.1). Europe's ability to play an active and constructive role will depend to a large extent on its internal cohesion. By the same token, increased internal cohesion — and in particular completion of the large market and increased technological cooperation — means that the Community will need to adopt a more forceful external policy to defend its legitimate interests.

3.1 Its contribution to the world economy

In 1986 the major problems will continue to be the rate of economic growth and indebtedness. The two are related, since the problem of Third World indebtedness can only be tackled effectively in a context of expanding world trade. This in turn depends on:

- (i) the developing countries' own efforts at structural adjustment, which will largely determine the necessary shift of world savings in their favour;
- (ii) growth in the industrialized countries: the downturn in the United States must be offset by more sustained growth in the Community and an expansion of domestic demand in Japan;
- (iii) the opening up of markets: exchange rates which provide a more accurate reflection of the underlying economic realities, while necessary to combat protectionist pressures, are not sufficient; the Community will pursue its efforts to promote a fresh and balanced round of multilateral trade negotiations;
- (iv) a reduction in real interest rates, which is largely dependent on a reduction in the US

budget deficit and on an ongoing effort to fight inflation;

- (v) adequate concessional flows and public aid.

The Community will endeavour to help solve these problems through its revitalization programme, its cooperative growth strategy and its development cooperation policies. It will also play its part and assume its responsibilities in the appropriate international economic and monetary organizations.

3.2 Development cooperation

To this end the Commission will continue its efforts to encourage an adequate flow of international funds to these countries, to offer them expanding markets in the industrialized world, and to help them to adapt and develop their economies: The Cooperation Agreement recently concluded with the countries of Central America, and due for implementation this year, is a step in this direction.

The third Lomé Convention, which lays down guidelines for development cooperation between the Community and the 66 ACP signatory States over the next five years, enters into force in 1986 too. During the early months of the year the programming of Community aid, on which considerable progress was made in 1985, will be actively pursued. It aims to be more rigorous and ambitious than in the past, not only in relation to preparation and monitoring but also as regards coordination with other donors, particularly the Member States.

The Commission attaches particular importance to the fight against hunger in Africa. It will concentrate on three main fronts: direct action to combat hunger through food aid, a contribution to the rehabilitation of broken economies through implementation of a 100 million ECU plan to be supported by additional bilateral contributions from the Member States, and a recent proposal to the Council for a programme on the protection of natural resources and the fight against desertification.

The Commission will also consider what contribution the Community can make towards solving the indebtedness problems of the countries of Africa. It will prepare the Member States' position for the special session of the UN General Assembly on the problems of Africa and will endeavour to supplement and reinforce Community action by enlisting international support for measures to assist Africa.

The Commission will produce an evaluation report on the food strategies initiated in four ACP countries. It is also committed to adapting procedures for triggering and implementing food aid, as regards both interinstitutional decision-making and management organization. Where these adjustments involve amendments to existing legal texts, the Commission will present appropriate proposals.

3.3 Multilateral trade negotiations

During 1985 the Commission played a key role in preparations for a new round of multilateral trade negotiations within GATT, which culminated in the setting up of a preparatory committee. The Commission will continue to play a leading role in line with the negotiating directives adopted by the Council last March. Next month it will send the Council a proposal for a 'comprehensive approach' to the forthcoming negotiations. It will also propose that these should open in Brussels at the GATT ministerial meeting scheduled for September.

The Community's ability to negotiate within the GATT will depend to a large extent on its internal cohesion. This is particularly true of the 'new subjects': services, high technology transfers and intellectual property. It should be possible to extend the system of the General Agreement to these new 'products'. Any weakening of the Community's negotiating position due to its inability to agree on a joint approach could have serious implications for Europe's commercial future.

Negotiations for renewal of the Multifibre Arrangement should begin during the first half of the year, as soon as the Council has approved the negotiating directives proposed by the Commission at the end of November. Bilateral agreements are also due for renewal before the end of the year, calling for further negotiations. Experience suggests to the Commission that a twin objective should be pursued: to achieve more liberalization at international level and to promote more flexibility within the Community, in conjunction with completion of the internal market.

3.4 Bilateral relations

In 1985 the Community achieved most of its objectives with regard to bilateral and regional relations: it resisted protectionist tendencies in

the United States, continued its dialogue with Japan and secured increased access to the Japanese market, extended cooperation with EFTA countries, developed its relations with the State-trading countries, and reopened the dialogue with Comecon.

In 1986 triangular relations between the Community, the United States and Japan will remain vital to the smooth operation of the world economy. The Commission will therefore endeavour to maintain and improve dialogue with both partners. Dialogue with the United States should prevent the proliferation of disputes and develop that multi-faceted cooperation which is so important to the two sides. The Commission will also keep a close watch on the protectionist pressures which are building in the US Congress and defend Community interests should the United States take action against allegedly unfair trading practices.

The 'problem' Japan represents to the Community is not confined to the persistent imbalance in economic and trade relations. A similar imbalance affects Japan's relations with most of its partners and is a symptom of a fundamental problem, namely that the Japanese economy is not sufficiently integrated into the world economy. A further feature — perhaps the most significant — is the narrow range of bilateral relations between the two. Although the Community has many links with the United States and the United States has many, albeit fewer, links with Japan, Community-Japan relations are still the weak side of the triangle.

It would undoubtedly be in the Community's interests to remedy this situation by making an all-out effort to broaden and strengthen its links with Japan. The first ministerial meeting last November and recent visits by Members of the Commission to Japan should be seen in this light.

As a follow up to these visits, the Commission has just sent a communication on relations with Japan to the Council and Parliament. The Community's aim should be to encourage Japan in its efforts to integrate more fully into the multilateral trading and payments system and to step up cooperation with Japan, wherever appropriate, with a view to improving the overall balance of relations. The Commission will continue to watch the situation closely, particularly as regards implementation of the action programme announced by the Prime Minister, Mr Nakasone, last summer which has so far fallen far short of expectations.

Outside the Community-United States-Japan triangle, the Community maintains extensive bilateral relations with a large number of countries and regions. The Commission's plans for action on this front during 1986 are set out below.

Although none of these bilateral relations will be neglected, recent developments in the Community (enlargement and the internal market) mean that the Commission will be forced to concentrate on strengthening and adapting certain links, notably with its immediate neighbours (non-member Mediterranean countries and EFTA countries).

The Community in the world

- A Community contribution to the world economy based on the Community's economic growth, cooperative growth strategy, attempts to promote an open international trading system and development cooperation policies
- Implementation of the third Lomé Convention and programming of cooperation for the next five years
- Special measures to assist Africa (fight against hunger, rehabilitation of broken economies, protection of natural resources including the fight against desertification, examination of a possible Community contribution towards solving the indebtedness problems of the countries of Africa, preparation of a joint position for the special session of the UN General Assembly on the problems of Africa)
- Implementation of the Cooperation Agreement with Central America
- Examination of a scheme for stabilizing export earnings for the least developed countries which are not covered by the Lomé Convention Stabex system
- Consolidation of food aid operations and comprehensive review of food aid management procedures
- GATT: opening of a new round of multilateral trade negotiations in Brussels
- MFA: renewal of the Multifibre Arrangement and negotiation of new bilateral agreements
- United States and Japan:
 - (i) continuation of dialogue and greater vigilance against protectionist tendencies
 - (ii) stronger pressure on Japan to correct its structural trade imbalance and continued support for Community penetration of Japanese markets
- EFTA: closer cooperation with the EFTA countries (1984 Luxembourg Declaration and 1985 Vienna Communiqué) and implementation of practical measures (rules of origin, financial control, customs documentation, etc.)
- Mediterranean countries: maintenance of traditional trade patterns through trade negotiations following enlargement
- Gulf States: continuation of talks begun in 1985 with a view to a cooperation agreement with the Gulf Cooperation Council (GCC)
- South and South-East Asia: implementation of last autumn's joint decisions and promotion of Community investment
- Australia and New Zealand: dialogue and proposals on future exports of New Zealand butter and sheepmeat to the Community
- Canada: review of bilateral relations and vigilance concerning the effects of current negotiations between Canada and the United States
- State-trading countries: continuation of efforts to normalize and improve relations with Comecon and State-trading countries
- China: implementation of the trade and economic cooperation Agreement (increased cooperation on science, technology, communications, etc.) and strengthening of political dialogue

**Reply of the President to questions put by
Members of Parliament**

At the end of the debate Mr Delors answered questions put by Members of Parliament:

Madam President, ladies and gentlemen. I would like to thank the 38 speakers and ask them to forgive me for not mentioning them by name: I have no wish to encroach on the speaking time allotted to the President of the Council.

You have said little about international issues and a lot about agriculture. May I say in passing that we are not very well organized. I am being urged to talk about agriculture here while Mr Andriessen is speaking, 'offstage' as it were, to the Committee on Agriculture. Nevertheless, I will say a word or two about it. You have also had much to say about the Community's credibility, both in relation to what I have called the 'basis for revitalization' and more immediate economic issues.

International affairs

On international affairs, I have nothing to add to what I said in my introductory address. Let me just remind you that I did mention human rights, even if I did admit that in that field the Commission can only make proposals, that it is not for the Commission to act.

I will simply repeat a wish: I would like to see the Community speaking with one voice and taking the necessary action in good time and at what it believes to be the appropriate juncture, be it on energy, on indebtedness or on any reform of the international monetary system.

Common agricultural policy

In now come to the common agricultural policy, which we will be discussing without our specialists. It is a general issue in that some of you maintain that if we could reduce the percentage of agricultural expenditure in the Community budget from 70% to 50% there would be more cash for the other policies.

My feeling is that those who believe this are not, if I may say so, being very realistic, for with a sound policy the most that could be gained is 4 or 5 percentage points.

But looking beyond the disputes, how do we see the common agricultural policy? In the first place, it is extremely complicated. The best evidence of that is that Parliament has not been able to find a common position on future guidelines. Similarly, when the Commission makes a proposal, it is not always sure, technically speaking, that it is the right one. Yet, on the guidelines, it knows where it wants to go, and I would like to tell you why.

To begin with, those of you who are opposed to the common agricultural policy need to be reminded that agriculture, upstream and downstream of the farmer, represents 20% of the total working population. This figure is quoted by Mr Fernand Herman in a report to his Group, the European People's Party.

Two basic facts

There are two basic facts about agriculture. First, the growth of surpluses. This is indefensible in human terms and impossible to finance. Second, the place of agriculture and the farmer in society and in the economy. It is vital in many areas, not only in less densely-populated regions, not only in the south. How do we reconcile the two? How do we reduce surpluses while maintaining a sufficiently diversified agricultural industry and protecting small farmers? Small farmers are not easy to define. In some countries 60% of them have a second job. Can we treat a farmer with a second job in the same way as a farmer who does nothing but farm?

Five solutions

There are a number of possible solutions. Let me go through them with you and you will see right away that none of them, no combination of them, provides a satisfactory response.

Expanding the domestic market

Firstly, expanding the domestic market. It is true that if economic growth were a little higher, we would consume a little more. But you know as well as I do that there is little elasticity in food consumption.

Selling more abroad

Secondly, selling more abroad. This is not a matter for us alone. You are no doubt aware that India and China are now self-sufficient, which means two big buyers less on the market. Despite that, and to put the record straight, the value of the Community's agricultural exports increased from 27 to 28 000 million dollars last year—against 25 000 million in 1984, 24 000 million in 1983 and 28 000 million in 1980. So no one can say that the Community is not making an effort to sell more abroad. And if we are experiencing problems on the cereals market at the moment, it is for the reasons I have already explained.

Increasing food aid

Thirdly, increasing our food aid. This is a solution, but a highly controversial one.

There are those who argue today that massive food aid from Europe is a disincentive to the developing countries to become self-sufficient. In any case, even

if we could double our food aid, this would not mean much in terms of our surpluses. What's more, the taxpayer would have to foot the bill, because accumulated stocks are currently financed on credit by loans, but as soon as the Community wants to use them, it has to pay.

Finding new outlets

Fourth solution: finding new outlets. With the help of science, we could, for example, process sugar into fuel. But here too, ladies and gentlemen, the scope is limited, not only because of the cost, but because the market is small.

Applying Community preference

Fifthly and finally: shielding ourselves from the outside world, in other words applying 100% Community preference. But if we did this, not only would we be breaking the GATT rules, our partners would start to take retaliatory action. Why do some of us persist in believing that we can go on blithely selling whatever we like abroad while making it impossible for ourselves to buy anywhere but in the Community? The world is not like that. I have just put five solutions to you. Not one of them absolves us from facing up to the problem of the imbalance between production and markets. Once we accept this, three guidelines emerge.

Three guidelines: realistic prices, reduced production, quality improvement

First of all, farm prices must be realistic since an increase in prices in a surplus situation will lead to even higher production. I can tell you that I, personally was in favour of inclusion in the Green Paper of a proposal whereby the income of small farmers could come from a mix of farm prices and subsidies linked with their economic and social role. But all the farming organizations rejected the idea. Here was a way of combining a more realistic prices policy, which would rule out excess earnings to large farmers, with an incomes support policy. But no farming organization wanted this and I have got the message. So we need to fix realistic prices and contain production. How? By quotas, by co-responsibility levies? What system is the best? Are there other systems? The Commission has an open mind. But it is important to realize that if the prices/subsidies mix is rejected, quotas or co-responsibility levies are inevitable. The decision on utilization of the proceeds of the co-responsibility levy will be taken in collaboration with the farming organizations. However, let me say again that if the simple prices/subsidies mix had been accepted there would have been no need for the co-responsibility levy or for quotas. The third element is quality improvement.

These then are the three guidelines behind the Commission's proposals—realistic prices, containment of production through the least painful method—there is no easy one—and, thirdly, quality improvement.

The danger of renationalization

The danger of renationalization was mentioned during the debate. I would point out here that national agricultural expenditure, excluding social security, already represents 40% of Community expenditure and that national measures are often diametrically opposed to guidelines agreed in Brussels. It is to avoid the danger of increased renationalization that I spoke this morning of the possibility of EAGGF Guidance being used to assist small farmers contending with difficult conditions in mountain regions or the Mediterranean area for instance. But the real danger—to be avoided at all costs—is that some Member States, convinced that the agricultural policy is too expensive, will say: 'Why spend so much on export refunds? Give the money to our small farmers instead'. If this is the outcome of the debate, let me tell you that the Community will be faced with a full-scale crisis, the only precedent being the affair of the UK contribution to the budget. I have chosen to speak at some length about the common agricultural policy to show you that people of good faith realize that there are no miracle solutions, that the room for manoeuvre is limited, and that it is within this margin that the least-bad solutions, technically speaking, must be found.

The Community's credibility

I would like to return at this point to what I said earlier about medium-term and short-term credibility. You claim to have detected a note of optimism in my review of the situation. There are only two reasons for this: the fact that the Member States have agreed on priority objectives, notably the large frontier-free market, and the fact that Europe's economic situation is improving for both internal and external reasons. This raises three main points. The first relates to the pitfalls of impatience and inertia.

The pitfalls of impatience and inertia

We must be wary of feeding impatience by giving Europeans the impression that we could have an employment policy, a European social area and a common banking system two years from now. We are going to need more time than that. In a way we are slaves to time and everybody must recognize this. By inertia I mean not doing our duty because our working methods are bad—and it has to be admitted that they are not marvellous—or because our institutional procedures are not good. On the internal market, Lord Cockfield, who is with us today, has

produced a programme for the year. If you examine the programme closely, you will see that its implementation will call for extraordinary discipline on all sides. I will return to this point later.

Consequently medium-term credibility can be achieved from one central point, namely that industrialists and trade unions realize that the large market is on the way. Of course, the large market of itself will not create sufficient jobs. But there is a clear link between the large market and competitiveness. And there is a clear link between the large market and better allocation of human resources, capital and goods.

However, it will take years. My talks with industrialists have convinced me that if we show our determination and implement our programme by the end of this year, the business world will change its tune and become more enthusiastic. And from that moment you will see an increase in European competitiveness.

The dangers of labels

The second, linked to the first, is the view rightly advanced in some quarters that the large market is unacceptable without economic and social cohesion. But we need to reflect a little here. We cannot expect too much of the structural Funds. Alternatively, we need to introduce a totally different dimension into our finances. One speaker said something about a European employment policy. This is merely toying with labels. How can there be a European employment policy with 12 different approaches in 12 countries? Need I remind you that the resources allocated by the European Social Fund to employment and training policy come to something like 3% of the total resources assigned by the Member States. How can an employment policy, or even an incentive policy, be implemented with 3% of the total?

You have, quite rightly, raised other problems too. They will be dealt with in our March report on the structural Funds and in the supplementary budget. Then there are matters of grave concern to us, such as the situation in Northern Ireland. When the time is right the Commission will present a proposal as a token of the importance it attaches to the peace process and the economic and social development of Northern Ireland. And there are the problems posed by the programmes for non-governmental organizations and bodies working for the handicapped. We will be proposing the necessary appropriations to the budgetary authority—in other words to you and the Council—in the supplementary budget.

The structural Funds as they stand cannot achieve the impossible. All we can do is believe that the money can be used more or less effectively. An encouraging example is the way in which the proposal on the integrated Mediterranean programmes was received, producing a change of mood in the regions concerned. Many programmes, which we helped to

prepare, have already been submitted. We sent a team to each region and the programmes are now on the table; they will not stay there long. The integrated Mediterranean programmes do not involve enormous funds, but they do represent a new approach. They will allow people in the region concerned to regain self-confidence, to plan their strategy, to define it in a European context.

But, for goodness sake, let's stop talking in terms of a European employment policy, of a common social policy, of things that cannot be done because there is no majority in favour of them in this House. Some people want a directive on worker participation. We have already tried—10 times! The Commission is now trying another tack: we are inviting the two sides of industry to Val Duchesse and attempting to reconcile views. I am told that it will take another five years of hard work before the public limited company under European law becomes a reality. All these considerations must be taken into account.

Economic policy

I now come to the third point: short-term economic policy, on which, let me repeat, Europe's short-term credibility depends. I do not propose to speak to young people, to visit the universities, to address workers on the dole to explain the benefits of the large internal market to them. I dare not. But if the unemployment curve were to flatten out in most European countries by the end of 1986, our medium-term plans would be reinforced by short-term credibility.

The Commission has proposed a cooperative growth strategy. The chances of success have been helped by the slide in oil prices—although this poses formidable problems too—and by the decline of the dollar. We can do better. But this means that you must join us in putting pressure on public opinion. Let me ask you this: how many of you are prepared to go and tell your governments back home that they must participate in this cooperative growth strategy? We must not allow ourselves to be lulled into a false sense of security by the drop in oil prices. I indicated to you this morning where the limits lie. If everyone exploits the room for manoeuvre to the full, rejecting the 'locomotive' theory, we could achieve a growth rate of 3.5% instead of 2.5%, create 800 000 new jobs and thereby reduce unemployment. But to achieve this every country must be prepared to cooperate. I know from personal experience that there are the constraints of democracy. There are elections to think about. Finance Ministers are jealous of their prerogatives. But if we do not exercise the necessary pressure, a great opportunity will be lost. Short of a serious crisis, it is always easier to reconcile differences of opinion, to reform basic structures, to harmonize approaches when the economic climate is improving. We are being offered an opportunity. It is our political duty to seize it.

Improving relations between Parliament and the Commission

One of our priorities must be to improve relations between Parliament and the Commission. But, to be quite frank, it takes two. For a start we need to agree on priorities. Secondly, I proposed to the House last year that we should share the right of initiative. You need to indicate the areas in which you would like your Committees to make own-initiative reports to serve as a basis for Commission proposals. Thirdly, a programme must be approved. Have you, for example, given any thought to the new two-stage cooperation procedure? What role are you going to play at the first stage? And at the second? Is there not a danger that you are going to seek a second-stage confrontation with the Council at any price? In which case, the first stage would serve no purpose. At the second stage Parliament is supposed to make

amendments and await the Council's reaction. Are you going to transform the procedure into a trial of strength? Or do you intend, for example, to smooth the way for 50 of the 200 directives which Lord Cockfield can have adopted by a qualified majority?

As you know, success means that some thought has to be given to 'how to go about it'. I remarked on this last year. Regrettably, we waste far too many words on 'what has to be done'.

Ladies and gentlemen, I would ask you to do all you can—the Commission is always ready to help—to ensure that, having agreed on our priorities, we achieve them in practice. So that next year, when you debate the Commission's programme for 1987, enthusiasm will have replaced this year's note of optimism.

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