

The Commission's programme for 1991

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

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**Introduction of the Commission's programme
for 1991 by the President of
the Commission of the European Communities**

*Mr President,
Mr President of the Council,
Ladies and gentlemen,*

Last year, following what I believed to be a well-established tradition, I allowed myself to stray for a simple, straightforward presentation of the Commission's programme to consider the horizons opened up by the prodigious events unfolding in Europe and to speculate about the future of the Community and the New Europe as a whole.

This year I propose to bow to Parliament's wishes and confine myself to commenting on the programme for the year which has just begun. It takes account, in particular, of the resolution passed in this House last November, and the extremely constructive discussion that the Commission has had with your enlarged Bureau.

But today's debate is taking place in exceptional and, in many respects, tragic circumstances. We cannot ignore them, even for a few hours.

I need hardly remind the House — following Mr Poos' outline of the broad perspective — of the positions and decisions taken by the Community as soon as Iraq invaded Kuwait. The Community immediately rallied to the defence of international law and the integrity of sovereign States. You held a major debate on the Gulf crisis, on the Gulf war, on Monday. I do not propose to go over the ground again, although I feel very strongly that we should not let a single day go by without reaffirming our commitment to international law, our distress at so much suffering and risk to human life, our determination to contribute to a new world order dedicated to peace, freedom, social justice and respect for others. I myself have been convinced from the outset that time spent considering the aftermath of the crisis could make a major contribution to solving the crisis and limiting its destructive effects. This House can rest assured that we are working discreetly on this, with an eye not only to the international order but also to the regions directly concerned, not only the Middle East but the entire Mediterranean, in a spirit of openness and respect for the religious, ethical and political convictions of each country and each community.

I would like to comment in passing on the link between these tragic events and European integration. It is perhaps too early to draw conclusions, reassuring or otherwise, on the Community's capacity for action. The Twelve were united on the basic positions and they were very quick to react. But, to be brutally honest, public opinion sensed that

Europe was rather ineffectual. We will have to face up to the lessons to be learned in due course. The Commission will be presenting its own ideas and proposals to the intergovernmental conference on political union — with due caution of course — in the hope of prompting a frank and open discussion of the essentials. This should make it possible to gauge whether there is firm agreement on the motivation and purposes of political action and European ambition. This will culminate, we trust, in a reform of the Treaty that will provide the Community with the institutional tools it now lacks to act swiftly and decisively on foreign policy and security.

At all events, the Community is now perceived as a major power, and not just an economic one. Much is expected of it. We must remember this and, if we really are of one mind, take the necessary steps to give ourselves the political, legal and financial resources to shoulder our responsibilities. If we do not, I fear that the European dream will inevitably fade, even if we do succeed in creating the world's largest organized economic area.

In the present situation you will, I am sure, appreciate the concern which prompts us to concentrate our efforts on implementing existing decisions: the Single Act, development of our external relations, and preparations for the post-1992 era. It is on these objectives that I would like to concentrate here today.

I — Balanced implementation of the Single Act

The Single Act, as we must continually remind ourselves, sets out to create an economic and social area based on the stimulus provided by a frontier-free market and the success of the common policies. If we look back over the last few years, it is evident that any imbalance has been at the expense of the common policies. We must therefore take them as our starting-point.

The most obvious shortcoming is the pace of progress towards the addition of a social dimension. To be fair, a large number of jobs have been created — some 5 million over the last three years. Equally, the effort towards economic and social cohesion through implementation of the structural policies can be seen as a major gesture of solidarity.

Nevertheless the institutional provisions are rather unsatisfactory, and that must be taken into account at the intergovernmental conferences. This is why the Commission, in its opinion on political union,

put forward proposals for extending Community competence in the social sphere.

It is also true that it is difficult to steer a middle course between our determination to guarantee social rights and our refusal to countenance social dumping on the one hand and our concern to preserve industrial competitiveness on the other.

But all in all, the situation is disappointing. Although the Commission has honoured its commitments, my colleague, Ms Papatreou, exercising all her powers of persuasion in the effort to secure agreement, although Parliament is lending its support in what are regarded as the most significant areas — specific employment relationships, organization of working time, information and consultation of workers — we have yet to achieve the goals we set ourselves in terms of firm decisions.

With the backing of the Luxembourg Presidency, I am in a position to tell you that the time has come to force the issue. The Presidency intends to clarify the debate in the Council by making a distinction between problems of form and problems of substance. This should reveal the extent to which the Twelve are agreed on making the social dimension a reality, highlighting their willingness or otherwise to make progress on pending proposals and on initiatives to be taken in 1991 to complete the action programme. These will cover wages and working conditions (fair wage, mass redundancies, subcontracting), industrial relations (worker participation), health and safety, and access to training — to name but a few.

The environment is another shared priority. The Community must take the lead here, diversifying means of action — including economic measures — designed to increase the effectiveness and consistency of environment policy.

We need to get to grips with the real problems: climatic change, protection of our towns and cities, conservation of our forests. We need to act at the most appropriate level, on the international scene or at home, adding an environmental dimension to our policies. This House has demonstrated the importance it attaches to environment policy by insisting that the Community should have a specific financial instrument endowed with ECU 30 million.

We need to concentrate our efforts — and this should be the watchword on research and technology, too. The problem is all too familiar: the funds set aside at Community level are inadequate and cooperation between Member States is poor. We also need to stress the importance of industrial

policy to the Community, drawing on our experience and turning our backs on outdated ideological disputes. This is the purpose of Mr Bange-mann's report. Who can fail to see the urgent need for coherent, coordinated Community action on electronics and computing, to take two of the most topical examples? More generally, can we sit idly by as governments elsewhere use every trick in the book to promote their industries?

The competitiveness of Community industry also depends on major networks in transport, telecommunications, gas and electricity, and even vocational training. We need to make exchanges quicker and cheaper by establishing links between existing infrastructures and services, integrating peripheral areas and modernizing networks.

This will serve to strengthen the large frontier-free market, as the structural policies have set out to do. But we must be wary here of putting the cart before the horse. The policies are beginning to work, backed by unprecedented funding: ECU 28 billion has been committed since the European Council took its decision in February 1988 and ECU 13.6 billion has been allocated in the 1991 budget. This calls for planning, monitoring, appraisal and assistance. It represents a great challenge for the year ahead. But we must assess the effectiveness of these policies before we start to think about reforming them.

Another key element in the balance of our societies is the common agricultural policy. The principles underpinning it — the unity of the market, financial solidarity and Community preference — are immutable. On this basis we must press ahead with the process — set in train in 1984 with the introduction of milk quotas — of containing production in surplus sectors, reducing costs and maintaining a fair balance between different types of agriculture.

Let there be no mistake. The Community has every intention of remaining an agricultural power. But it is also anxious to promote solidarity with the developing countries, which must be in a position to sell their produce on the world market. The Community must also recognize the vital role played by farming in relation to the environment, land use and rural development. The social and human balance of our societies depends heavily on it.

The future scope of the common agricultural policy is being considered already. The review process will continue for as long as is necessary to ensure that all concerned are properly consulted, that the diversity of the Community's agricultural industry and

varying geographical and demographic situations are taken into account.

II — Towards 1992 and the single market

Alongside the common policies, our basic aim will continue to be completion of the single market. This is crucial to our prosperity and our role in the world. Parliament recently received a report produced by the Commission pursuant to Article 8b of the Treaty on progress towards that objective, five years after publication of the White Paper, three years after entry into force of the Single Act and two years ahead of the 1992 deadline.

As you know, the foundations of the single market are already in place: the symbolic milestone of 200 measures (out of the 282 planned) has been passed and the single market is taking firm shape. Some important directives are already in force — I am thinking, for example, of the Directive on the equivalence of higher education diplomas, which became law at the beginning of the month. I would also mention full implementation of the Community's competition policy, including the provisions on corporate mergers.

All the Commission's proposals are now on the table. Parliament has played its full part in scrutinizing these and the cooperation procedure has proved its worth. Observance of the deadline now depends largely on the Council. It needs to adopt something like 80 directives in 1991 — a particularly ambitious target — if Member States are to transpose them into national legislation in time. Much remains to be done on this front, as you know.

Similarly, although substantial progress has been made in certain areas such as public contracts and technical harmonization, others are still causing concern. And some important issues are shrouded in difficulty.

This applies first and foremost to freedom of movement for individuals, perhaps the most tangible proof to the people of Europe that they are part of a community. A lot was achieved in 1990, essentially at intergovernmental level — I am thinking in particular of the right of asylum convention. But much remains to be done, notably on the 'external frontiers' convention. And, even more important, we must lose no time in tackling equally sensitive issues such as immigration, with reference not only to the question of access to Community territory, but also to the integration of migrant workers already legally established within our borders. A

common philosophy must be worked out and procedures must be aligned so that specific steps can be taken at an early date. The Rome European Council pointed the way, leaving the political and administrative problems to the General Affairs Council.

Another area where we must move forward this year is indirect taxation. We must be clear about our goal, in other words the final arrangements which will apply, even if we are unlikely to achieve it by 1993 as the Commission would have wished. Progress will have to be made throughout the transitional period towards the alignment of VAT and excise duties and the elimination of exemptions so as to keep up the momentum and lead ultimately to a system which will allow the single market to achieve its full potential.

You are well aware of the delays which have occurred in both areas, as in the complex field of animal and plant health regulations. I would like to stress that the Commission also attaches enormous importance, in the context of the single market, to transport policy (not only with regard to tax harmonization and freedom to provide services but also to safety). Let me point out, too, that we have taken the first steps towards a single energy market, although here the Treaty provisions offer less scope.

III — Assuming our international responsibilities

While completion of the single market, implementation of the common policies and achievement of a broad balance must be our overriding priority, we cannot close our eyes to our international responsibilities. The Community that faces the world today is a stronger one following the return of 17 million people to the fold in the wake of German unification. This historic event, which the very existence and underlying ideals of the Community helped to bring about, must now be given substance in a spirit of solidarity not only between Germans but between the Community and the Germans too. That was the thinking behind both the transitional and definitive measures for integrating the former GDR into the Community.

Our 340 million-strong Community is the cornerstone of the new European architecture mapped out by the Paris Charter, a new order based on human rights, democracy, the rule of law, economic freedom, social justice, respect for the environment and, last but not least, security. And these principles are the yardstick by which we will measure developments in the Soviet Union.

This quest for disarmament, peace and human rights sets an example which we would do well to bear in mind when it comes to considering a political process — within the ambit of an international conference — that could help find a solution to the problems of the Middle East; this will inevitably involve the difficult task of resolving a whole series of conflicts, easing tension in the region, achieving disarmament and creating an area of economic and social development.

These same principles, established at the CSCE Summit in Paris last November, underpin the Community's general approach to efforts to create a greater Europe: it knows that it must become stronger if it is to shoulder its responsibilities and it knows that it must develop the links which bind it to the 'other Europeans' through individually tailored arrangements.

The progress of negotiations with EFTA countries for a European economic area gives cause for optimism, to judge at least from the principles agreed at the last ministerial meeting. It should be possible to sign an agreement before the summer, which means that it could come into force on 1 January 1993, thereby strengthening the cohesion of the European continent at a crucial moment in its history.

One EFTA member has already expressed a wish to join the Community, and others are thinking of doing so. The Commission will consider every application for accession, and will be giving its opinion on Austria's this year.

With our neighbours in Central and Eastern Europe we began by endeavouring to give substance to the trade and cooperation agreements signed in 1989, opening up our markets, developing industrial cooperation and promoting direct investment. But the political and economic upheavals of the past year or so, and the growing adherence of these countries to the values on which the Community is based, have made it necessary to go even further.

This is why the Western Economic Summit in July 1989 gave the Commission the task of coordinating the aid provided by the industrial world through the Group of 24 so that economic obstacles would not halt the movement towards political democracy. It was logical that this aid should go first to the countries which had progressed furthest along the rocky road to democracy — namely Poland and Hungary — before being extended to the other countries of Central and Eastern Europe, including

Yugoslavia, with which we have long had special agreements.

No less than ECU 10 billion was mobilized in a single year for Poland and Hungary. And the Rome European Council recently undertook to provide financial support for the economic modernization programme introduced by Czechoslovakia. This, then, is the measure of the Community's active presence in the world.

But although we must use existing instruments to best effect, the time has also come to let the countries concerned feel that they are now part of the European family, even if they still have a long way to go before Community membership is possible. Analysing the prospects for increased economic cooperation, providing a political and cultural foundation for the links between us — that is the spirit behind the promising negotiations for European agreements now under way with Poland, Hungary and Czechoslovakia.

The Soviet Union, of course, occupies a major place in our thinking too, and we recently reaffirmed our readiness to cooperate with it. As you know, the Commission, at the European Council's request, has embarked on the painstaking task of analysing the present state and future prospects of the Soviet economy. The Rome European Council discussed the subject and drew up a substantial aid programme at the Commission's suggestion. At the same time it decided on the substance of the cooperation agreement, giving priority to technical assistance in a number of areas. Nevertheless the Community cannot possibly ignore internal political developments in the Soviet Union, and its ability to push through reform without civil strife, when deciding on the extent of its commitment.

The situation in the Baltic Republics is highly complex. But the Community could not have remained silent as the military moved against civilians. It has conveyed its disapproval to the Soviet authorities and, since military action has continued, will be compelled to halt cooperation with the Soviet Union despite otherwise satisfactory progress.

We must, however, look beyond these worrying and deplorable developments to pursue our unflinching effort to build a future where peace and a spirit of give-and-take hold sway. One practical basis for that kind of long-term cooperation should be energy. The Commission is determined to see that the proposal by Mr Lubbers, the Dutch Prime Minister, for a European energy charter, which we put forward at the CSCE Summit in Paris, is carried through.

Since then, the Rome European Council has agreed to an international conference to draw up the charter. A declaration of principle could be adopted to demonstrate the determination of those involved to forge closer energy links. Specific protocols would then follow — for example, on technical assistance or the setting up of extensive energy transmission networks: the first practical application, in fact, of the second 'basket' of CSCE measures.

Developments in Europe over the past few years have been seminal and Europe has indeed held centre stage in world events; but since 2 August the Gulf crisis has thrown the newly emerging international order into disarray. I have already spoken of the strategic and political dimensions. Let there be no mistake, however: the Community has a direct stake in the conflict, for our southern flank — our gateway to the Mediterranean — stretching from the Maghreb to the Middle East, is comprised of countries with which Europe has long had strong, if sometimes troubled, links and which form a vitally important geopolitical entity.

Since August the Commission has been doing everything it can to distribute emergency aid to those suffering as a result of the crisis for various reasons. It will continue to do so under the guidance of Mr Matutes. Similarly, it has secured a decision to grant financial aid to the three countries in the region whose economies have been hardest hit by events in the Gulf. The complexity of our budgetary regulations has, it is true, made the procedure from decision-making to action extremely slow — a fact we must bear in mind when revising the Treaty. But I can assure you that the aid promised to Jordan, Egypt and Turkey will soon be on its way.

Looking beyond these emergency measures, even before Iraq invaded Kuwait the Commission had secured agreement on the overall guidelines for a fresh approach to Mediterranean policy, mainly centred on support for economic reform, environmental protection, the development of business activity and, above all, the introduction of a substantial regional dimension as a means of fostering cooperation between Mediterranean countries themselves and schemes of common interest between them and the Community. As a sign that it recognized the urgent need for this kind of approach, the Council virtually trebled the volume of resources. I feel, however, that our responsibility does not end there. We must start thinking now about every aspect of a post-crisis settlement, so that it will be easier in the end to find the political solutions that are needed for the region to be trans-

formed into an area of stability, economic development and social justice.

Stability, development and greater equality are, as you know, principles which shape the Community's action to help developing countries. The Commission will not, I can assure you, resign itself to the fact that the North-South divide remains as wide as ever despite the Community's undeniable efforts to help the Lomé countries and the commitments it has given to the countries of Central and South America and the poor countries of Asia. At the risk of being tedious, let me restate my belief that the North-South problem will prove intractable unless we address ourselves simultaneously to the job of opening markets to trade, securing control over capital flows and strengthening international monetary stability.

That is one of the aims of the GATT negotiations, which have absorbed the energies of so many people in recent months. Let me begin by saying that the Community has more to gain from an agreement than anyone else, if only because of its position as the world's major trading bloc. That is why it made comprehensive proposals on the 15 sectors under discussion in advance of the Brussels talks. But the atmosphere at the talks and the proposals on the table meant that they came to nothing in the end. It is now up to all sides to draw the necessary conclusions so that we can start again on a clear, non-discriminatory basis when talks resume in Geneva shortly.

IV — We are already moving beyond 1992

As I have said, we cannot ease up for one moment if we are to complete preparations for our frontier-free area by the end of the year; and on the external front we must cut our suit according to our cloth. But we are already moving beyond 1992 and must not allow our resolve to weaken: we do so at our peril.

This applies to the two intergovernmental conferences on economic and monetary union and on political union. There is little I can say that you do not already know. The objective is clear. On economic and monetary union, the aim is to reap the full benefit of a single economic area by forging ahead towards a single currency managed by a single central bank by achieving ever-closer economic convergence based on a few shared ground rules and on tighter coordination of national economic policies. And the second conference seeks to secure more effective action but also to affirm our foreign policy

and security role; the Twelve acting in concert will carry more weight than any one country acting alone, and our Community will acquire unimpeachable democratic legitimacy.

The European Council has set guidelines for these conferences, though less clear for political union than for economic and monetary union.

Nevertheless, work has begun and will have to be completed this year. Current events have highlighted Europe's shortcomings. Perhaps they will have the effect of concentrating minds; we can only hope and try to make that hope a reality. But there are no guarantees.

Work has begun on the basis of the substantial input made by Parliament, which will have to remain closely involved. The interinstitutional conferences have been extremely fruitful, for without them the principle of co-decision would never have gained so much ground. And at last November's conference of national parliaments in Rome there was a very large majority in favour of an ambitious declaration calling for a federal approach to the building of Europe. There is a lesson there for all of us.

The interinstitutional conferences must continue to provide this stimulus. Equally I am sure that this House will play a large part in the revision of the Treaties through your four scheduled meetings, the periodic meetings of the three Presidents and the sessions at which your President will address the intergovernmental conferences. You know that you can count on full cooperation from the Commission, given the broad consensus between our two institutions.

But there is more to the Community's future than the two intergovernmental conferences, important though they may be. There is another, equally vital,

exercise which we must embark on this year, and that is the revision of the financial perspective to set the budgetary framework for all we do between 1993 and 1997.

Remember the 1988 package, which was the result of a hard, serious discussion with the Council over 15 months or so. It was accepted that the Community had to have the resources it needed to operate normally without having to beg for them at the last minute. But there was also a commitment to keeping expenditure under control (which has been honoured) and it was recognized that the Member States' contributions had to reflect their differing levels of prosperity. Out of that agreement came reform of the common agricultural policy, new instruments for economic and social cohesion and the introduction of new areas of Community activity.

The February 1988 decisions were reflected effectively in the interinstitutional agreement, but its limitations are now beginning to show. It needs to be adapted if we are to obviate the delays and difficulties in putting Council decisions into effect.

But as the Community takes on new tasks — in the East, the South, the Mediterranean, the Soviet Union and beyond — the question once again arises as to the role it can play and what it wants to achieve in helping to bring about 'the new international order'. To put it bluntly, we have to start thinking about a simple but very basic question: if the Community is going to set itself great ambitions, will it have the means to achieve them? For no new venture will fire the imagination of our old nations unless it involves our political commitment to the universal values that have always inspired the great moments of our history.

The Commission's programme for 1991

1. Introduction

1. The Commission thinks it right to present its programme to Parliament this year in a form which concentrates on the major policy objectives which the two institutions have in common. The rapid development in recent years of the Community's role in the world and the growth of its internal political, economic and social cohesion mean that the presentation of the programme needs to be reassessed to reflect the new realities and the enhanced position of the Community institutions, notably of Parliament.

2. Parliament has already intimated how much importance it attaches to the social dimension, the environment, energy policy and the cohesion of the Community. The Commission accepts these priorities and will in large measure build them into its work schedule for 1991.

3. Accordingly, the Commission considers that its programme should focus on the priorities set out below. In implementing them it will have due regard for the principle of subsidiarity. However, the programme, including the further proposals for legislation which the Commission will be putting forward, must be vigorous enough to reinforce the political impetus towards European union which has been generated by the mobilization of public opinion in recent years. The need for the Community citizen to identify more closely with the European venture must be kept clearly in sight throughout the programme.

4. The programme does not start from scratch: a certain number of the priorities are already widely accepted or represent a continuation of measures already planned or launched. The total number of priorities is high and in the interests of efficiency must not be allowed to escalate. The Commission draws attention in particular to the following important items:

(i) Progress towards political union and economic and monetary union must be consolidated by the completion of the work of the two intergovernmental conferences in 1991 so that the amendments to the Treaties can be ratified in time for them to be in force by 1 January 1993. The Commission will play its part to the full.

(ii) The Commission will press ahead with the welcome and essential task of ensuring the smooth integration of the territory of the former German

Democratic Republic into the Community, implementing and monitoring the measures proposed, in particular those within the framework of the structural Funds.

(iii) All the objectives of the Single Act must be borne in mind and carried through in 1991. This is particularly true of the social dimension, which must move ahead at the same time as the economic dimension.

(iv) Decisive progress must be made in those areas vital to completion of the single market where the Council's agreement is still awaited on the proposals in the White Paper, in particular taxation, transport, financial services and the veterinary field. At the same time it is essential to ensure that all the necessary steps have been taken to provide optimum conditions for the free movement of persons when the internal frontiers are removed on 1 January 1993.

(v) Completing the single market is one challenge, but making it work as effectively as possible so that maximum benefit is derived from it is another even more important one. The Commission will put particular emphasis on the actual working of the single market and underpin it by reinforcing its physical operating structures. Telecommunications systems, energy networks, transport infrastructure and vocational training are of particular importance.

(vi) Action must be carried forward on the accompanying measures which reflect the political balance achieved by the Single European Act. This applies in the social field, where delays in adopting the measures proposed have to be made up and other measures put forward. It holds good for environmental measures too, where Parliament's recent decision concerning the LIFE initiative was immediately taken up in the Commission's proposal for a financial instrument. It also applies in research and technological development and in the continuing implementation of the decisions taken on the structural policies within the framework of economic and social cohesion.

(vii) For the Commission, 1991 will also be a year for taking stock, for assessing the main components of the 1988 reform package — the system of own resources, the application of the Interinstitutional Agreement, the reform of the structural Funds, the common agricultural policy — with a view to producing a blueprint for 1993 and beyond.

(viii) The position of the Community and the Commission in external relations and in development policy has recently been enhanced. Although the

Community's external relations now span the globe, the Commission has particular responsibilities towards the Community's neighbours in Central and Eastern Europe (Operation Phare, European Council mandate on the Soviet Union, European agreements) and in the European Free Trade Association (negotiations on the European economic area) and in respect of the remodelled Mediterranean policy.

This is the broad framework of major tasks within which the Commission's priorities and programme have been worked out. The more significant points are highlighted below.

2. Objectives of the Single Act

5. Completion of the work needed to establish the area without internal frontiers as required by Article 8a of the Treaty must clearly remain a top priority. For the Commission, however, the emphasis in 1991 will be somewhat different from what it was in previous years. With all the White Paper proposals already tabled, efforts must now focus on:

(a) securing Council agreement on the White Paper proposals still awaiting adoption, particularly in key areas such as indirect taxation, transport, services, and the animal and plant health fields; 1991 will be the last year for completing this part of the process, since 1992 will be needed for the transposition of the ensuing directives and other Community instruments into national law;

(b) presenting some further proposals not included in the White Paper but needed to complete the picture;

(c) keeping up the pressure on Member States to speed up the transposition into national law of the Community instruments already enacted;

(d) playing an active role in the intergovernmental work — mainly on the elimination of frontier controls — which is putting in place the instruments needed to establish the frontier-free area.

6. As far as completing the programme of legislation is concerned, the ball is now in the Council's court, although the Commission is obviously determined to continue playing an active part in the search for ways of ensuring that the appropriate draft instruments are adopted. The bulk of the legislation still awaiting adoption is in the following areas:

(a) In the fiscal field, the Commission attaches great importance to the adoption by the Council of the

final details of the transitional VAT system, to the establishment of the definitive VAT system and the excise duty system, and to the step-by-step removal of restrictions on duty-free allowances for travellers by 1 January 1993. These measures are vital to completion of the internal market and priority must therefore be given to securing Council agreement.

The Council's attention must also be focused on the Commission's recent proposals on business taxation.

(b) Another major gap in the legislation needed to complete the internal market is in the field of transport. The Commission is planning to produce a policy paper setting out the broad lines for a European transport policy. On the legislative front the Commission will keep up the pressure to ensure that the rail transport proposals pending since 1989 and those recently presented for the high-speed rail network are adopted. The same applies to air transport, where the key components of the package of measures geared to opening up the market have either been tabled (air traffic control, cargo, denied boarding, airworthiness standards, slot allocation) or will be within the next few months (flight time limitations, cabotage, double disapproval of fares, recognition of personnel licences, procurement and procedures). The other line of attack will focus on the freedom to provide services. The proposals pending for the opening-up of cabotage in road passenger transport and maritime and inland waterway transport must be approved. In the freight sector the Commission will be presenting the proposals needed to improve the existing arrangements for frontier-crossing and to cover access to international transport. A systematic effort will also be made to promote more environment-friendly modes of transport and transport technologies.

(c) In the particularly wide and critical field of services, the aim will not only be to ensure that the White Paper proposals already before the Council are adopted but also to present a number of new ones with a dual goal: to underpin economic and monetary union by taking the necessary steps to improve cross-frontier payment systems and to remove the last barriers to the cross-frontier provision of services. Following the proposals on, for example, copyright and neighbouring rights in the audiovisual field and on insurance other than life assurance, further proposals will be needed on life assurance and on pension funds. The insurance sector must not be allowed to lag behind. On the banking front, the draft legislation before the Council on consolidated supervision and on invest-

ment services must go through and will be rounded off by proposals on the monitoring and controlling of large exposures of credit institutions and on deposit guarantee schemes.

(d) Food quality and safety remain central to Commission action in the field of animal and plant health. No fewer than 36 proposals are still pending before the Council. A limited number of other initiatives are still needed: the setting-up of a Community plant health inspectorate and of a system of veterinary inspection in the relevant sectors is essential to ensure that the rules are complied with, and this must go hand-in-hand with the dismantling of the remaining barriers to trade in this area.

7. The single market also means to end of frontier checks and the free movement of persons within the Community. Most of the work relating to checks on individuals is being done on an intergovernmental basis but, the proceedings of the Trevi Group apart, the Commission is playing an active part in efforts to speed it up. Seen by the man-in-the-street as the cornerstone of the 1992 design, the achievement of this essential freedom is impatiently awaited. With this in mind greater emphasis will be placed on all aspects of immigration (access, social integration and mobility).

Running the single market

8. With all the proposals for legislation now before the Council and a third of the White Paper programme already adopted, management of the single market has now taken on an altogether new dimension. There are three major objectives: the transposition of Community legislation by the Member States and the adoption of secondary or supplementary legislative measures at Community level; the management of the new instruments by the Community and national authorities under the banner of partnership and administrative cooperation; and, last but not least, the supervision and monitoring of the application of Community law.

9. Transposition by the Member States calls for special attention. As the Article 8b report shows, progress is uneven and, with a host of Community instruments still to be approved, the Commission will try to enhance transparency and coordination and will remain vigilant. Much consolidatory and implementing legislation is needed in many areas: government procurement, dangerous substances and preparations, medicinal products, foodstuffs,

motor vehicles, construction, engineering and electronics, to name but a few.

10. Administrative cooperation with the national authorities must also be stepped up in the area of fraud prevention, entailing as in other areas the setting-up of appropriate interface systems and data-processing networks, as well as fuller exchanges of information.

11. The application of competition policy with its new merger control instruments will play an important part in ensuring that the internal market functions properly. The Commission will take action in line with the rules set out in the Treaty to ensure that restrictive practices and abuses of dominant positions are terminated. It will also continue to grant exceptions to agreements and other arrangements between companies which do not restrict competition unduly. The activities of monopolies and undertakings to which Member States have granted special or exclusive rights will also be scrutinized carefully. State aids in the internal market must also be strictly controlled. Aids which distort competition or undermine the efforts of the Community's poorer areas to develop their economies in line with the Community's goals of cohesion and convergence will be curtailed or prohibited.

12. Finally, supervision of fair play is of crucial importance if the smooth running of the single market is to be safeguarded. So far 1 500 infringement procedures have been initiated and the number of technical notifications has already passed the 500 mark.

Flanking policies: the social dimension

13. The single market and a frontier-free Europe would not be complete without the social rights applicable throughout the Community. Accordingly, the 1990-91 action programme will involve giving practical substance to the Community Charter of the Fundamental Social Rights of Workers in line with the principle of subsidiarity. In preparing its proposals the Commission conducted extremely wide-ranging consultations and intends to improve the consultation machinery still further. Proposals on the most pressing issues raised by the Charter are already on the table awaiting decision. In 1991 the Commission will be dealing with the remaining aspects: employment (collective dismissals), labour law (equitable wage, minimum income), labour re-

lations (equity sharing and worker participation), living and working conditions (protection of expectant and new mothers, protection of the dignity of men and women at work, protection of children and adolescents, childcare), freedom of movement for workers (revision of Regulation No 1612/68, updating and extension of Regulations Nos 1408/71 and 574/72 on social security arrangements), disadvantaged groups (third programme on the integration of disabled people), and health, safety and hygiene at work (specific Directives).

There is a need to explore the possibilities for aligning objectives and policies on social protection, including the maintenance and transferability of supplementary pensions: the Commission will be putting forward its ideas.

At the same time the social dimension of the internal market must be given a higher profile. To this end it needs to be backed by an appropriate information, communication and dissemination effort. The social dialogue must be developed at intersectoral level, bringing in new working groups, extending joint opinions to national and sectoral level, initiating work in new sectors (postal services, chemicals, motor vehicles, etc.). If the necessary groundwork for a single economic area is to be completed in time, the role of the two sides of industry in collective bargaining must be clarified: the Commission will be presenting a communication based on Article 118b of the Treaty.

The Commission will be compiling a report on application of the Charter of Fundamental Social Rights of Workers, as required by the Charter.

14. Every individual should be given the opportunity for change. And training can play a valuable role here. Access to training is a prime objective. To help make it possible to keep abreast of change and technical progress and to enhance mobility and the development of human resources, the Commission, in the light of the results of the social dialogue, will be proposing legislation to enable unions, employers and public authorities to create the necessary training structure to meet these challenges. The economic and social imperatives associated with the single market make this an absolute priority. The Commission will be publishing a policy paper for the 1990s.

The Commission also intends to implement the whole range of Community programmes, which now cover every sector: initial vocational training, higher education, continuing training, foreign language teaching, trans-European mobility at tertiary

education level. Ensuring that these programmes are fully effective calls for swift action to coordinate them and rationalize monitoring methods.

15. On the health front, the Commission will press ahead with priority activities, including implementation of the second 'Europe against cancer' programme and a new campaign to combat AIDS.

Environment

16. The Single European Act is very clear on environment policy: it emphasizes the 'polluter pays' principle and stresses that priority should be given to preventive action, which involves taking account of environmental conditions in the Community's various regions and paying special attention to international aspects. In line with these objectives, the Commission will be formulating proposals for economic and fiscal instruments. The Community will have to play a pioneering role in many areas, starting by developing a more varied armoury to tackle the need for a more effective and coherent environment policy. In addition to the new financial and economic instruments, further regulatory action must also be taken, notably in the form of proposals on global urban protection in the wake of the Green Paper on the urban environment, and on the protection of forests, and stricter control of the implementation of Community directives in the Member States. The Community must set an example in the way it tackles real problems at a practical level, be it worldwide, or by the appropriate integration of the environment element into its other policies (in particular energy and transport), or in the field of the measures to be taken.

The long-awaited launch of the European Environment Agency will provide the Commission with the expertise it needs for the innovative proposals which it is planning to present in specific sensitive areas (atmospheric pollutants from industrial plants, ozone pollution, waste strategy and water quality) and which will also be designed to enable the Member States to move ahead in concert. This will be the thinking behind the proposal for the fifth action programme (1993-2000).

The Commission will also be focusing on global environmental issues and putting forward the necessary proposals for negotiations on the framework agreement on climate change and for accession to the NO_x protocol of the Geneva Convention. It will press for the stepping-up of vital international

cooperation in all possible forums (London Summit, United Nations Conference in Brazil, international instrument for the protection of forests). Cooperation on this scale with the countries of Central and Eastern Europe should enable them to overcome the challenges they face by tackling them at European level.

Energy

17. Notwithstanding the positive achievements, particularly as regards the transparency of energy and transit prices, further action is still needed in a great many areas if the internal market in energy is to be completed. Proposals on the transparency of gas and electricity costs, the opening-up of those sectors to greater competition and the harmonization of technical standards and energy product quality are therefore in the pipeline. The Commission will make full use of its powers under the Treaty to dismantle the barriers to trade and the distortions of competition which stand in the way of the internal market in energy.

There will also be moves to spell out the essential features of a Community energy policy. These will relate to the various aspects of security of supply and the relative importance of the different sources of energy.

Against this background the Commission will be considering ways of stabilizing the markets, particularly the oil markets, reducing certain types of pollution and promoting energy saving. Other proposals will address the interaction between energy and the environment, especially as regards the use of new and renewable sources of energy.

Lastly, in the light of the preliminary lessons learned from the Gulf crisis, the Commission plans to develop the external facet of the common energy policy. Such action would go hand-in-hand with the very necessary development of cooperation in energy matters, taking the practical form of a pan-European energy charter drawn up in line with the guidelines issued by the European Council at its meeting on 14 and 15 December.

Infrastructure

18. The closer we get to 1993 and the nearer the legal framework moves towards completion, the more attention needs to be focused on the flanking measures which are not covered in the White Paper

but are nevertheless vital if the single market is to confer maximum benefit on the whole Community — if, in other words, the single market is to become an economic and social reality. These measures fall into two categories: firstly, setting up the requisite infrastructure, particularly in the areas of telecommunications, transport, energy and training; secondly, implementing the flanking policies clearly provided for by the Single European Act, in the areas of monetary policy, social policy, economic and social cohesion, research and development, and environmental protection.

The object of the exercise is to build or reinforce infrastructure on a European scale so that the economy as a whole, individual firms and the man-in-the-street are able to exploit the full potential of a Europe with no internal frontiers, both at the centre and on the periphery. This involves implementation of the trans-European networks programme recently proposed by the Commission and encompassing telecommunications systems, traffic networks, energy supply and training structures. Transport infrastructure also has a key role to play here: the current multiannual programme for 1990-92 must be followed by a programme to run from 1993.

Industrial policy

19. Parliament has repeatedly stressed the need to devise and implement a modern industrial policy for the Community in today's competitive world. The Commission took this on board in its recent communication, which sets out the main lines of such a policy, and will press on with the implementation of the aspects for which it is responsible in certain particularly key areas and as regards the conversion of defence industries, especially 'dual' industries, as Parliament has explicitly requested. Account will have to be taken of developments resulting from the globalization of markets, production and operators, as well as the industrial policies of the Community's main competitors. A major effort will also be made to create a favourable environment for improving industrial competitiveness by ensuring that the internal market and the world market function more efficiently as a result of closer international industrial cooperation and by actively promoting positive adjustment policies to exploit the Community's technological and industrial potential, to encourage cooperation between small businesses and large firms at both Community and international level, to profit from the synergy between improved environmental protection and stronger industrial competi-

tiveness, and to support a life-long approach to the acquisition of skills based on a detailed knowledge of industry's requirements.

Research and technology

20. Today's research will change tomorrow's world. And the Community must be there where it's all happening, in the free market, where the industrial fate of Europe is decided — by big industry but also by small business — from microelectronics to biotechnology, satellite telecommunications (coordination between the Member States in WARC 1992, mutual recognition of operating licences and terminals), and high-definition television (proposal for a Directive on HD-MAC standards). Links with the Eureka initiative will be strengthened. Experience acquired from its own research programmes will provide the Commission with a basis for preparing its proposal for the next JRC programme (1992-94) and for evaluating Community strategy in readiness for the next framework programme (1993-97).

Attention will be focused on the following: the contribution made by research and technology to the other policies such as the environment, agriculture or development aid, for example the use of space data; taking account of the needs of society, for example the application of information and telecommunications technology to the elderly or the disabled; basic research in high-performance computing; and the development of environmental models.

3. Developing and assessing policies

21. Economic and monetary union, the first stage of which commenced on 1 July 1990, constitutes a major challenge. Besides its contribution to the intergovernmental conference referred to above, the Commission will be seeking to ensure that everything necessary is done for the successful completion of the first stage and the preparation of the second stage. Close cooperation with the Member States will be of particular importance here. The Commission has three specific objectives in mind.

The coordination of monetary policies will serve as a training exercise for the future common monetary policy. The Committee of Central Bank Governors, now given permanent structures, is already working on harmonizing concepts and instruments with a view to providing clear *ex ante* coordination, accom-

panied by *ex post* monitoring. The Commission's contribution will be to develop new economic indicators and to devise new instruments and methods in the realm of financial statistics and balances of payments.

Economic convergence will be boosted by the decision taken in March 1990. Firstly, under the multilateral surveillance arrangements, Member States will have to show that their policies do not conflict with the implementation of the Single Act and that they are putting structural instruments to good use. Secondly, budgetary policy changes will come under specific scrutiny: appropriate medium-term strategies will have to be discussed and, where necessary, amended. The Commission will play its full part in the multilateral monitoring of Member States' economic performances and will make recommendations accordingly.

The completion of the market in financial services rests primarily on ensuring the practical implementation of the free movement of capital between eight Member States. The Commission will be monitoring progress here and will put forward proposals to remove obstacles to the use of the ecu.

22. The drive for economic and social cohesion will be a vital element in the success of a number of major Community policies, in particular the single market and economic and monetary union. The reformed structural instruments have a key role to play in passing on the benefits of integration to all the Community's citizens and in giving substance to the area without frontiers. Taken together, the measures initiated in 1990 on a partnership basis in support of structural adjustment constitute an increasingly important and visible part of the overall effort: over ECU 20 billion will have been committed by the end of 1990 and another 13 billion should be committed in 1991. All this requires planning, monitoring, evaluation and technical assistance commensurate with the challenge, on an unprecedented scale.

In addition, a new set of decisions to provide continued support for the areas affected by industrial decline (Objective 2) must be prepared for 1992-93. Operational programmes will also be set in train under various Community initiatives, strengthening the link between structural policies and other Community policies, especially in the areas of human resources, research and technological development, the environment and energy.

The Commission initiative on regional development at European level (forward plan for land use in the

Community up to the year 2000), due to be completed in 1991, will provide a valuable planning tool on a European scale for the formulation of structural policy and action.

23. The time has come to take stock of action in this area as in the other areas covered by the 1988 agreement to provide pointers for 1993 and beyond. This is particularly true in the case of the structural policies as progress in the reduction of disparities between the various regions and in the development of the least favoured among them will be an important factor in the debates on economic and monetary union.

24. This is also true of the common agricultural policy, which must be reshaped to take account of developments: far-reaching changes to the common market organizations to gear them more closely to the objectives assigned to the agricultural policy and to correct certain imbalances; rural development aspect, which will take account of the special part played by farmers — particularly in terms of the interface between agriculture and the environment; realignment of support for farmers to reflect the diversity of farm and production structures. This reform must be such as to strengthen the Community's position in the Uruguay Round.

25. The common fisheries policy, which has been in force since 1983, is also ripe for review. Its future must be directed along lines capable of guaranteeing its development and effectiveness. Thinking in this area (imbalance between resources and capacity, economic and social conditions in coastal communities dependent on fishing) must focus on resource conservation, structural measures, and improving the supply, processing and marketing of fishery products. It must also take account of the need for cohesion and for greater interaction with other Community policies (for example, R&D). The Commission report to the Council will also analyse the external aspects.

26. The more recent consumer, audiovisual and enterprise policies are less developed. The main aim in the drive to protect and promote consumer interests is to strengthen a policy which is still in its infancy. To do this, it is first of all necessary, through consumer organizations, to increase consumer involvement in the process of preparing Community initiatives. As part of the current three-year action plan, the essential features of horizontal protection will be guaranteed by the legislation pro-

posed over the last few months (unfair terms in contracts and liability of suppliers of services). However, new measures are also needed to strengthen protection still further: the transparency of cross-frontier transactions and the defence of the interests at stake (guarantees, after-sales service) must be increased. At the same time, the protection of consumer interests must be promoted by a major information effort.

27. On the audiovisual front also the aim is to strengthen the basis of what is now a fast-growing policy area. The 'television without frontiers' Directive, which is due to enter into force in October, must be followed by a proposal for a Directive on copyright in the field of satellite and cable broadcasting. As part of the move to continue the promotion of European HDTV, a proposal for a Directive on satellite broadcasting standards will be tabled to take over from the current MAC-packet Directive. The Commission will also be sending the Council proposals for decisions to involve certain non-member European countries in the new Media programme.

28. In the run-up to 1993 a boost needs to be given to enterprise policy in view of the growing demand for the services supplied to small businesses. However, the enterprise environment created by the new Community legislation will remain a Commission priority, which it will see through using the new procedures for internal and external consultation and paying special attention to the needs of small businesses, the distributive trades, tourism and cooperatives.

4. German unification

29. The economic and social area has coped and will continue to cope with new developments. These may be positive, like German unification. And the Community has provided proof of its ability to act, reacting flexibly, imaginatively and promptly to organize the initial phase of the integration of the new *Länder*. The Commission is working with the German authorities on the setting-up of a Community support framework which will use the reformed structural instruments to provide prompt assistance for the structural changes in the eastern *Länder*. During the transitional phase the derogations from Community law must be managed in such a way as to ensure a smooth changeover to the final phase. The Commission will see to it that the priorities laid down for Community policies are implemented har-

moniously, be it a question of external trade, of agriculture or of technical regulations. The environment and energy, both closely linked, will require particular attention.

5. External policy

30. It would be a mistake to deduce from the above that in future the Community's internal policies will take precedence over its external policies. An integral part of an economic and political region in the throes of rapid change, a heavyweight partner in the complex round of international relations, the Community owes it to itself and others to prepare for the future and continue the process of opening up to the outside world: initially within Europe and subsequently beyond. In this context the Commission will continue its efforts to relaunch the Uruguay Round discussions on a fair and equitable basis.

Europe

31. The Paris Charter has outlined the shape of a new Europe based on the respect for human rights, democracy and the rule of law. In its proposals for the 1992 Helsinki Summit the Commission will contribute all it can to furthering progress along the new road of partnership and cooperation opened up by the Charter. The Community is the first pillar of the new European architecture.

This means that the Community must find the right formulas for its partnership with the rest of Europe. The Commission will be delivering an opinion on Austria's application for membership. The aim of the negotiations which it plans to bring to a satisfactory conclusion with all the countries of the European Free Trade Association is to establish the European economic area as the second pillar of the new Europe. The Commission will take pains to ensure that the new framework for cooperation with these European partners achieves its basic objectives: free movement of persons, services, goods and capital on the basis of the appropriate Community provisions, extension and consolidation of cooperation on Community schemes and measures, and reduction of economic and social disparities between regions on both sides. The establishment of the European economic area will depend on respect for the decision-making autonomy of each party.

32. Secondly, we must look to the East. The negotiations with Hungary, Poland and Czechoslovakia

must lead to European agreements. This third pillar of the new Europe will have to be an association enabling these countries to take part in the wider process of European integration and serving to consolidate the reforms that have been set in train, assist them in their transition to a market economy, help them to cope with the social consequences of this structural adjustment and create a climate propitious to the growth of trade and investment. In accordance with its brief, the Commission will conduct the negotiations with a view to establishing political dialogue, gradually setting up a free trade area, intensifying current economic cooperation, initiating cultural cooperation and organizing financial cooperation.

The task of coordinating economic assistance from the Group of 24 (G-24) to the six countries of Central and Eastern Europe will be embarked upon in all its aspects (market-access measures, stabilization fund for Poland, medium-term loans for Hungary, financial assistance for Czechoslovakia, economic restructuring programmes and projects including ECSC loans, food aid). The Commission has assessed the economic situation and the reforms under way in these countries and following the conclusions of the European Council has drawn up proposals for aid from G-24 and Community countries in the form of action plans, common guidelines and joint programmes. Specific forms of cooperation will be worked out for training and energy (pan-European energy charter). In a few months' time the European Bank for Reconstruction and Development will commence operations: the Commission will participate on behalf of the Community, which is one of the Bank's shareholders.

33. The Soviet Union, because of its size, its status and its history, is different. The Commission has completed its assessment of the economic situation and radical reforms taking place in the USSR, which has contributed so much to the establishment of a new climate of cooperation in Europe. The European Council has approved the Commission's proposals for helping the USSR to cope with the major economic problems it is now facing and for strengthening cooperation with this major partner. The necessary measures will now be put into effect with all due speed.

Mediterranean

34. Looking south and beyond the frontiers of Europe, the Community's Mediterranean policy will have to take account of the new situation created by the Gulf crisis and of the need for greater political and economic stability in the Middle East. The Commission will implement its proposal for a remodelled policy based on improved instruments of cooperation. Substantially increased financial resources will meet the considerable requirements of the countries of the region more effectively by supporting their efforts at economic reform. Community action will be expanded to include support for regional cooperation, environmental protection and business development. At the same time thought will have to be given to what might happen in the region once the Gulf crisis has been resolved and to the major role to be played by Europe in the Mediterranean and the Middle East.

The Commission intends to implement the proposed programme for strengthening relations with Turkey. There are three main parts: customs union by 1996, financial and technical cooperation, and the fourth financial protocol.

With regard to Yugoslavia, in addition to the aid to be provided through G-24, work should start on implementing the third financial protocol. The request of the Yugoslav authorities for closer dialogue and increased cooperation will be examined in the light of internal developments.

The fourth financial protocols with the Maghreb and Mashreq countries and Israel will be negotiated. The existing framework for cooperation should ensure real developments in priority areas. Dialogue could be initiated on relations between oil and gas producers and consumers. The Commission will also be looking into the possibilities of developing a trans-European network for the transport of natural gas (Algeria/ Norway/ USSR).

Multilateral

35. The Uruguay Round dominates the multilateral political scene. In 1991 the Community will be faced with the task of relaunching the discussions and, if a balanced agreement can be reached, of transposing the results of the negotiations into appropriate action and measures. The Commission will press ahead with the negotiations on agriculture, taking a global approach and making sure that the Community's partners give equivalent commit-

ments. The coordinated reduction of tariffs and non-tariff barriers will call for an accurate assessment of the consequences for Community policies. The results of the Round will generate a great deal of work: adoption of the results of the GATT Agreement on Government Procurement, renegotiation of textile agreements (MFA IV), implementation of the results as regards subsidies and restrictive trade policies, definition of the approach to the principles of liberalization in air and sea transport, harmonization of non-preferential rules at world level. The Commission will continue the negotiations on services, taking care that the forward-looking role played by the Community in extending GATT rules and disciplines to the service sector does not upset the balance needed for opening up the single market. Special attention will be devoted to the consequences of the Uruguay Round for the fragile economies of the developing countries.

USA and Japan

36. Transatlantic solidarity has been enshrined in the joint declarations issued last November on relations between the Community and its Member States and the United States of America and Canada. Careful thought will have to be given to mutual relations. More intensive dialogue will have to be established with regard to many aspects of cooperation likely to be of shared interest. The follow-up to the Uruguay Round, the environment, agriculture and fisheries or science and technology are possible examples.

37. Relations between the Community and Japan do not adequately reflect the part these two major powers are called upon to play in world affairs. A new style of relations will have to be sought. The Commission will continue its efforts to bring about a dynamic and harmonious increase in trade with this other major world trading power. At the same time, cooperation will have to be stepped up in areas of shared interest.

Policy of development cooperation

38. Relations with the ACP countries will be given a new impetus. Implementation of the various parts of the Lomé IV Convention will begin with the signing of all the national and regional indicative programmes. The vast areas of cooperation to be consolidated with these partner countries will in-

clude new fields this year and new instruments will be brought into operation to achieve tangible results (demography, decentralized cooperation, structural adjustment, private sector).

39. As a priority, the Commission will also study new initiatives of a nature to broaden and deepen cooperation. Cohesion between development aid, human rights and democracy will be a specific area for reflection.

Development cooperation needs to be deepened. Long-term planning may serve to gear Community policy more closely to the needs of recipients and to the future of the Community in its relations with the developing countries. The Commission will prepare a paper setting out the longer-term prospects.

Relations with Latin America and Asia will be intensified. Cooperation with developing countries in both continents will be based on the new lines of action approved at the end of 1990, using increased financial resources more attuned to the needs of the countries concerned.

As regards South America, political dialogue will be continued within the enlarged Rio Group along the institutionalized lines stemming from the document adopted by the Rome ministerial conference. In the San José framework, the Community's effort to assist the Central American countries and Panama, with Colombia, Mexico and Venezuela cooperating, will follow the lines of the joint political declaration and joint economic communiqué issued in April 1990. Bilaterally, new economic cooperation agreements with Chile, Mexico, Uruguay and Paraguay will open the way for new aid and cooperation schemes.

In Asia, the Community will give practical effect to the resumption of diplomatic relations by launching a multilateral plan for the repatriation and reintegration of Vietnamese exiles who do not qualify for refugee status and by initiating other forms of cooperation. It will also focus its attention on opportunities for the gradual normalization of relations with China as and when legitimized by a return to democratic conditions after the tragic events of June 1989. A continuing dialogue with the Republic of Korea will aim at opening up practical prospects for bilateral relations (e.g. in the field of intellectual property).

6. Looking beyond 1992

Towards political union

40. Nineteen hundred and ninety-one will also be the year of the intergovernmental conferences. The Commission intends to do all in its power to foster close contact between the conferences and Parliament. It has already presented a complete draft Treaty to the conference on economic and monetary union to serve as a basis for discussion. Work is well in hand on the main political union dossiers: democratic legitimacy and powers of co-decision for Parliament; effectiveness and efficiency of the institutions, including the extension of majority voting; foreign and security policy; Community competences, notably in the social area; subsidiarity; and European citizenship.

41. The conference on political union could and should transform the way in which the Community conducts its foreign and security policy and its development cooperation policy. The Commission made its position clear in the opinion it presented on 21 October 1990 and it will be defending the ideas set out there during the conference. Depending on the outcome, many of the issues discussed in the previous paragraphs could look very different indeed by the end of 1991. The Commission is counting on Parliament's support to secure the result which best responds to the need for Europe to speak with a single voice and defend its common values and interests through new mechanisms and new Treaty provisions. The current crisis in the Gulf, which has brought Community instruments, political cooperation and security policy together in striking fashion, provides a rare but timely illustration of the need for change.

Financing the Community

42. The Commission's programme of priorities for 1991 as set out above reflects a considerable expansion of the tasks now facing a rapidly changing Community. Its institutions must be given machinery and resources commensurate with these tasks. Special attention will therefore have to be paid to the question of financing, with reference also to the legal protection of the Community's financial interests.

It was agreed in 1988 that the Commission would present two reports in 1991, together with appropriate proposals, taking stock of the own-resources

system and the application of the Interinstitutional Agreement. The first will set out in particular the lessons to be drawn as regards the fourth resource and will consider ways and means of accommodating the developments that are necessary and foreseeable in own resources over the coming years. The second will seek to identify, in the light of experience, those areas where the Interinstitutional Agreement has proved insufficiently flexible and will put forward proposals designed to remedy the problems without compromising budgetary discipline; it will also include proposals for any adjustments needed to the structure of the financial perspective. It is evident that these issues will have to be dealt with in the light of any new institutional arrangements emerging from the two intergovernmental conferences, which may effect some aspects of the existing budgetary procedure. In the meantime the Commission attaches considerable importance in the year ahead to compliance with the Interinstitutional Agreement and the budgetary discipline associated with it.

Administration of a rapidly changing Community

43. Each of the Community institutions must rise to the challenge of the new tasks, the increasingly comprehensive body of legislation and the resulting administrative burden with commitment and with ingenuity. But for this they will need appropriate resources. The Commission, for its part, will continue to make the most of its human and material resources to achieve maximum efficiency and viability. That said, there are obvious limits to rationalization. The Commission remains committed to flexible structures, to the ongoing modernization of management methods, and to improved coordi-

nation and efficiency thanks to the setting of clear objectives and better planning. But the time is approaching when reserves will be exhausted, when partnership, decentralization and the use of outside structures and resources will be stretched to the limits of credibility. Hence the need to rebuild the resources base which is essential if the above tasks are to be accomplished in full.

7. Conclusion

44. The year nineteen hundred and ninety-one will be dominated by two concerns. Firstly, all the institutions will have to keep up the pressure to complete preparations for the frontier-free area which will come into being on 1 January 1993, a major programme in itself. Secondly, 1991 will be a year for looking to the future, beyond 1993, as symbolized by the two intergovernmental conferences (which will be producing a blueprint for the monetary, economic and political union to be built on the foundations laid by the single market) and as reflected by the need to proceed as planned with updating the 1988 framework for the financial system, the structural policies and the common agricultural policy. This new structure will have to make full allowance for the impact that a stronger, increasingly attractive Community will have on the rest of the world. The Community's external agenda is no less challenging than its internal one. The list of priorities to be addressed is longer and more formidable than ever before. If all the major objectives are to be attained, it would be unwise to include additional tasks which might merit a higher place on the agenda in less-pressurized times. It is in this spirit that the Commission invites Parliament to examine and discuss the demanding programme it has compiled for what will be a crucial year for European integration.

**The President's reply to
Members' questions**

The President's reply to Members' questions (20 February)

Mr President, ladies and gentlemen, let me begin by thanking all the speakers, to whom I have listened carefully, and also all those who have staunchly attended this debate which I still regard as crucial to the work that Parliament and the Commission do together. I was very interested to read the opinions of your Committees and your proposal for a resolution, to which I shall have occasion to refer.

Having said that, I can understand the earnest pleas that have been made on behalf of certain policies and the calls for more resources for them. I can often sympathize with them. But may I all the same remind you that the Commission has to work within the bounds of the Treaty and of the Council's political and financial decisions; it is just not possible to make radical changes to our terms of reference from one year to the next. Do I need to remind you that I thought I had clearly identified six objectives of the Single European Act: the single market, the social dimension, economic and social cohesion, research, the environment and monetary cooperation? And do I need to remind you that on two of them — the social dimension and the environment — the Member States, when drawing up the Single Act, did not accept the Commission's much more ambitious proposals regarding the scale of the action to be taken and the decision-making process? These are things we have to live with.

So I propose to start with those six objectives of the Single Act. I shall not forget the common agricultural policy, since some of you are clearly worried about it, and lastly I will say something, since you have mentioned it, about the new political and financial package which will supersede the one adopted by the European Council in February 1988. Nor will I forget that, last time, some of you quizzed me on the future of economic and monetary union.

Concerning first of all the six objectives of the Single Act, work on the single market is bringing us face to face with two major hurdles in simplifying the opening up of internal borders and simplifying taxation. For the first, the opening up of internal borders, you will remember that the European Council, weary of seeing these problems raised in so many different forums, handed the matter to the General Affairs Council. So that body has a kind of mandate to act *ultra vires*, to look beyond the Treaty and propose solutions. We, for our part, are willing

to make suggestions, even in areas outside our purview.

Concerning taxation, the Council of Finance Ministers is inching its way forward. It is not easy, but it is advancing. True, it has adopted a transitional system for VAT which does not strike the Commission as ideal, but a Council decision is a Council decision.

The system is, I believe, equally unacceptable to you unless it is backed by a formal undertaking on the part of the 12 governments to bring their VAT rates and their excise duties significantly closer together, thus genuinely allowing physical frontiers to fall; we await that gesture by the Council this year and we are working on it.

Turning now to the social dimension, let us bear in mind how far the Treaty allows us to go; when presenting the programme, I indicated that there was a time-lag and also an imbalance between the economic and social dimensions. I have already spoken of the inadequacy of the Treaty. We shall remedy that. The Commission will be making a proposal to the Intergovernmental Conference for more action and more qualified-majority voting. But this is also the case with the texts you adopt and endorse, be it precarious employment today, the organization of working time tomorrow, or consulting and informing workers the day after. There is dissension within the Council, and that is why we welcome the distinction made by the Luxembourg Presidency between the substance of texts and the legal dimension; you will thus know which are the countries that accept the provisions flowing from the social charter adopted by 11 countries in 1989 and which are those that reject them. You will realize that the balance is hard to strike. If the Community's average living-standard is 100, some countries stand at 145 and others at 60 on the scale. So each and every social provision has to be the result of a compromise between two refusals: no social dumping, which adversely affects social progress in the richer countries, and no making firms in the poorer countries bear such heavy costs as to impose a competitive handicap.

It is within that balance that we are trying to find solutions. We cannot speak of the social dimension without touching, if only cursorily, upon the social dialogue, that is the dialogue we initiated in 1985

between the employers' associations and the trade unions. Work is proceeding discreetly, but already five joint opinions have been adopted and a further two, both of them crucial, will be shortly. One bears on the management of the labour market, with the accent on flexibility, while the other concerns access to continuous training so that vocational training can be available to all workers. I think that, especially where training is concerned, it should be possible to ensure that this text has a material impact on collective bargaining in the 12 member countries.

Thirdly, economic and social cohesion. You have clearly understood that the philosophy behind the new policies was to go for overall development and not project financing. We are funding 100 or so comprehensive development programmes instead of an unmanageable mass of 15 000 projects. At the end of this year, leaving rural development aside, we shall have 30 months' practical application of these new policies.

We shall be able to assess their worth. So you see why I do not entirely agree with the resolution and your impatience with regard to economic and social cohesion; let me repeat that the European Council has decided to spend ECU 60 billion on it over five years. These policies are being implemented. We shall be reporting to you at the end of the year. Early next year, we shall be presenting the European Council with a new political and financial package and possibly a reform of the structural policies. And you will, of course, realize that this will be one of the issues discussed in connection with economic and monetary union, or should I say with the Intergovernmental Conference on Economic and Monetary Union.

But, while we are on the subject of cohesion, there are two other things I would like to emphasize. You will recall that in its opinion on economic and monetary union the Commission proposed that a new financial instrument should be set up to help those countries which found it hard to keep up with the pace of economic and monetary union, even at the very first stage. We got a mixed reception, but it is a key factor and I hope I may count on you to consider it and support it. Moreover, in making a proposal on trans-European communications, telecommunications and vocational training networks, our intention is precisely to remedy the handicaps afflicting outlying or enclosed regions. That is why, if we are given the means to encourage the implementation of these infrastructure networks, we shall have vital resources to reduce regional disparities, though time will be the other vital resource! At any

rate, the crucial rendezvous in our schedule is the end of this year, when the results of the policies decided on in February 1988 will be up for evaluation.

Fourthly, research. Here, I should like to say a word or two about industrial policy, since the word is no longer considered taboo among the Twelve. What resources do we command? Basically, our research and technology programmes. Unhappily, these are confined to the precompetitive stage, only just downstream of pure research, close to theoretical research, and this is not enough. Given the crisis in the European computer industry, we are now trying to see what we might do to go further. For us this will be a practical exercise to see whether the Community has the necessary determination — the high-definition television programme will be another. We shall then see whether, when it comes to the crunch, the Twelve are indeed of one mind, and if they are not my next question will be this: if the United States and Japan are entitled to have a national policy to defend and promote their research, why should the Community be entitled to nothing more than a vast market open to all the winds that blow? If that is what Europe is supposed to mean, you can count me out. So, we shall have to see, through these few examples, whether the Community is capable of acquiring a real personality of its own. There is much talk of a common foreign policy, and a common security policy, but the first prerequisite is to be economically strong and autonomous. Similarly, we must make progress on transport policy, although there I think we have advanced this year and will continue to do so next year.

As for energy policy, I think I can say that we have a foot in the door and must now wait for the Council to be so good as to decide to accept what has never been clearly accepted, namely that we should have a real common energy market. We did propose measures to the Council concerning security of supply, on the assumption that the Gulf War, or the general turn of events, would make our energy supplies more uncertain.

Our fifth objective is the environment. Mr Collins, I got your message. I mention only you, but I got the message and, although you have already left by now, I should like to tell you first that the Member States have refused to decide on the headquarters of the European Environment Agency without looking at the headquarters of a series of other bodies at the same time. But the Commission has done all it can and is still pressing the point, for it

really is a pity that an idea commensurate with the transborder scale of the problem should fail to get off the ground. I know we have a long way to go on the environment, but the Community is present on the international scene and its proposal for cuts in carbon dioxide emissions is leading the field. Finally, we haven't taken the first step, only the first step mind you, towards incorporating environment policy into macroeconomic policy.

Now for that other vital common policy, the agricultural policy, which represents 50% of the budget, and not two thirds as I have heard some say. First of all, I cannot turn a deaf ear to the charge that the Commission is acting dishonestly. Let anyone who says so weigh his words. Call us inept, slipshod, all right, but dishonest, with whom? I think that certain words, banded about in other countries, do not serve the European cause. It's one thing to say that the Commission is not doing a good job, but quite another to impugn its integrity; and since we are talking about 1990, let me say this. Back in the spring of last year, we could see that the volume of production and events in Eastern Europe were putting markets out of balance, particularly the sheepmeat and beef and veal markets. You only have to glance at the exceptional scale of last year's intervention buying-in to realize that we were there. Finally, even in the dairy sector, where production is outstripping consumption, we have accumulated stocks again. You all know very well that the existence of large stocks very nearly sparked off a terminal crisis in the Community between 1979 and 1984. So we must keep our eyes open.

Looking to the future, we must embark on the reform of European agriculture for three reasons. Political reasons first, for the farmers are worried and want to know what the future holds for them. Financial reasons next: this year or next will see our spending on the common agricultural policy break through the ceiling on the resources available. I would remind you that pursuant to Articles 5 and 6 of the budgetary decision, the Commission is duty bound to take or propose the necessary measures to keep below that ceiling. These will be laid before you within the next 10 days. Lastly, commercial reasons which we must be quite clear about. Let us take a simple example. Suppose that the Community serves 20% of the world cereal market. If we are asked to drop from 20% to 15% to yield five more points to the Americans, then the answer is no. But, if we are asked to slip back two or three points so that the developing countries can export their production, should we not say 'yes'? If we

should not, then we should stop talking about underdevelopment. Remember that rich nations like ours have a duty to show solidarity.

(Applause on the left)

If the answer is 'no', then stop talking about the Community's ambitions. I'm no demagogue. And in any event, I am not making moral accusations against you, Mr Pasty. That's not my style! But I think you must have let yourself be carried away, for you are normally such a courteous and temperate speaker.

Let me close this chapter with a reminder that we are preparing the new political and financial package. It will have to be discussed with your Committees, with this House, in the light of several factors.

Concerning the reform of the common agricultural policy, we are not laying down a line. Why no figures? Because we are proposing guidelines. What are we trying to do? Simply to reconcile the competitiveness of our agriculture with the claims of land use, the fight against desertification and, finally, the environment, which is not the same thing. Small farms actually can pollute just as much as big ones. That is what we are trying to do. We have put some guidelines on the table. We are talking with the trade organizations. I am giving much of my own time to this. When the discussion begins, it will be possible to put figures on certain scenarios. The figures that some of you have put forward are being used in a campaign conducted by those who have no wish to see changes in the CAP, those who would let two thirds of our farmers leave the land, who would let a fifth of Community territory be turned into desert.

If that's what you want, then I would prefer an open statement to a series of hair-raising leaks.

On the matter of economic and monetary union, let me first say, since two members have asked me the same question, that the first phase is crucial. This tends to be overlooked. In the discussions at the Intergovernmental Conference and in the general public debate, I keep hearing everybody assuming that economic and monetary union is due to get under way on 1 January 1994. Wrong! It began on 1 July 1990. There are two key elements in this phase. The first is to tighten up the coordination of national economic policies and take some steps towards convergence; the second is to take the Committee of Governors as a kind of prelude to the European Central Bank and use it as the institution which will begin to define the common guidelines of

monetary policy. I have always said that if this first phase was regarded as a non-event, we would never advance to the second. As for the role of the ecu, some countries have already done much, but a good deal remains to be done. The Commission will make proposals to make the ecu available for use in all financial and commercial transactions in the same way as national currencies.

People ask me whether any compromise is possible between the various ideas that have been put forward. I am not sure that it is, for we must not forget that a 13th, parallel currency will encounter a host of technical hurdles. So, whatever the goodwill all round, I cannot be sure that we shall bridge the gap between those who reject the parallel currency and those who are proposing a hard ecu in time for the second phase.

But one of the two main threats to economic and monetary union is the economic downturn that was already setting in before the Gulf crisis and has spread since. My fear is that the economic downturn will drive national economic policies further apart. That is why the Finance Ministers must work more closely together; and, should the Gulf crisis be swiftly resolved, we must find the resources for growth, for with growth of less than 3 or 3.5% in the Community, the advantages of the single market will disappear, will no longer be visible to the man in the street. We have created a million and a half jobs every year for three years now. I don't think sluggish growth would be good for deadline 1992, so the Commission will try and prod the Finance Ministers into finding ways out of our current doldrums as quickly as possible.

The other main hazard is what I would call the minefield of convergence; ladies and gentlemen, there are as many paths to convergence as there are pretty ladies. And we all know how tastes vary! If we insist on seeking the fairest of paths to convergence, we shall never attain economic and monetary union. That union, I am convinced, will only emerge from a dialectical interaction between political developments, institutional change and events in general. But, if we insist on perfecting convergence before we start, economic and monetary union will never get off the ground. That's why I am going so far as to talk of a minefield.

I come now to the Community's relations with the outside world. There is but a single question to be asked here. For the last two years events have made great demands upon us: should we have opted out? No. Anyway, this House supported the financial efforts that had to be made to cope simultaneously

with what was happening to the east and to the south. And, from this standpoint, although much remains to be done, I think we have no call to be dissatisfied with the record of those two years. Coordination within the group of industrialized countries has yielded something like ECU 6 billion for Poland and ECU 4 million for Hungary, to name but a few: that, I think, represents quite an effort. And we must make the same effort for the South. One speaker mentioned Mediterranean policy. As for the Lomé Convention, Vice-president Marín has brought all his weight to bear and worked hard to ensure that practical programmes are implemented much more quickly than usual. Another speaker mentioned South America; there will be two political concertation meetings, one with the countries of Central America, the other with the countries of South America. The two processes are continuing, and the sceptics among us need only remember the scale of the Community's contribution to Nicaragua over the last two years.

And now for GATT. I alluded to it a moment ago in connection with the common agricultural policy. But there are 15 subjects on the GATT table and we cannot agree to continue the negotiations unless all 15 are tackled. There must be no singling out one particular subject. Let me give you an example. If the negotiations on services are successful, the most likely outcome for the Community is an increase to the tune of ECU 100 billion or so in its exports over the next few years. That should give us food for thought. On agriculture, of course, we shall stand firm. The Community is an agricultural power; it has no reason to relinquish that position, provided it meets the challenges I spoke of just now.

Many of you also dwelt, inevitably enough, on the two Intergovernmental Conferences. They are making good technical progress and there are indeed some highly interesting proposals on the table. We have an agreement with this House, and I am regularly available to keep a Parliamentary delegation informed of progress, quite apart from the inter-institutional conferences. One issue that is much on your minds is the co-decision procedure. I can tell you that the Commission is now reappraising its line, particularly in the light of Mr Martin's report, and is about to adopt a new position which is much closer to your thinking than the original view indicated in our opinion of 21 October.

The Intergovernmental Conferences, then, are working well. Nevertheless — and I could sense the concern behind your remarks — the Community is going through a difficult period. The Community is

34 years old: we have had eight years of dynamism, 10 years of crisis and 16 years of standstill. So, let us tread carefully and get down to basics. The Community is currently threatened either by crisis or by standstill on three counts. First, the question of headquarters, where the debate is getting acrimonious, believe me. Then we have the GATT problem, for the Twelve are not of one mind as to what needs to be done and we are having trouble finding a sound compromise. Finally, need I say it, the Gulf War. Not because it has shown up the Community's limitations, not because there is a general challenge to the idea that the Community is more than ever necessary, that we can't do without it, but because the turn of events may result in some countries opting for one strategy while others opt for another.

At this point in time, then, apart from the political vigilance which the Commission must exercise with the limited resources it commands, our job is to implement the decisions that have been taken, and that is the purpose of this work programme. This work programme does not encompass the entire political and economic situation. You asked me to stick to the programme in my statement, and that is what I have done. But I believe that following the course we have agreed and doing our job day by day, despite the headwinds and the clouds of crisis, is perhaps the best way of taking the Community through these rough waters.

(Applause)

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