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**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 1990 by the President of
the Commission of the European Communities**

Mr Jacques Delors,
President of the Commission

Mr President, ladies and gentlemen,

What an astounding series of events have unfolded virtually on our doorstep since I spoke to you this time last year of the challenges facing the Community. I referred then to Mr Gorbachev's dream of a 'common European house' and our slightly different vision of a 'European village' built around a solid house called the 'European Community'.

The Community has progressed apace since then. Its economy has strengthened further thanks to job-creating growth fed by investment. The persistence of this cycle has led to production in the Twelve rising by some 20% since 1984, 8.5 million new jobs being created and European business displaying a new-found assertiveness at home and abroad — though it could still do even more. The Community's influence has grown economically and politically. The Community is now respected, courted, held in awe.

And yet recent events in Central and Eastern Europe should give us pause for thought. Why has it taken us more than 30 years to respond tentatively, with moves towards economic and monetary union, to the objective of a political Community set by the founding fathers, whereas the Germans of the East, released from former constraints, have taken no more than a few weeks to re-open the Brandenburg Gate in an act full of symbolism for the future unity of the German nation?

Why is it taking us eight years, of what we regard as intense activity, to create a single market and an organized economic and social area, while our Eastern neighbours have taken no more than a few months to discover the heady wine of liberty and democracy?

It is a striking contrast, when seen against the tremendous surge of history in the making, as nations cast aside the old regime to embrace a new era holding the promise of peace, pluralist democracy, and economic and social progress.

Today more than ever the Community is faced with challenges: the challenge presented by aims, strategy and method as the Twelve face up to

their responsibilities in the East and elsewhere in Europe, in the Mediterranean and in the developing world; the challenge of reaffirming our values through our day-to-day activities; the challenge of implementing the Single Act, which remains our top priority and finds practical expression each year in the Commission's programme.

But, first and foremost, how, in a new and shifting situation, can we ignore the disquieting fact that time is running short, that events in Europe are challenging the Community to respond?

The challenge of events in Europe

It was in the name of freedom that millions of men and women, far from remaining resigned to servitude, took to the streets, roused from their inertia by the decline of the régimes which had governed them and the relaxation, sometimes deliberate, of the iron grip which had held them in thrall.

But let there be no mistake: the prosperity and freedom of our Community — free from hegemony, governed by the rule of law, where even the smallest country has a say — served as a lodestone, a lodestar in terms of ideals and action. Over the last few months it has not been the ambitions of politicians, but the will of the people that has made history; a will manifested with dignity and joy in some countries, in the midst of drama and bitterness in others, and above all with a collective spirit that is all the more impressive because it seems so sadly lacking in our privileged Western half of the continent, hamstrung by ridiculous quarrels rooted in nostalgic yearning for past glories.

Our admiration for the people of Central and Eastern Europe must not, however, blind us to reality. The changes under way give cause for hope, but they are also fraught with danger. As Tocqueville wrote in the aftermath of the 1848 revolution '[it] has ceased to be an adventure and is taking on the dimensions of a new era'. There is still a danger of back-tracking, of things going wrong, as is amply illustrated by differences between the people and their leaders in Leipzig and in Bucharest, not to talk of the upheavals taking place within the Soviet Union. And who can ignore the yawning gap between the determination of the people and the precariousness of their situation, between their clearly-expressed aspirations and uncertainty about the eventual outcome?

There are economic dangers, given that most of the countries of Eastern Europe are experiencing stagnant growth, low investment and high debt — particularly when compared to export earnings from trade with the rest of what used to be the Communist world. We must, of course, be wary of generalizations since situations differ in a number of respects — investment in Bulgaria, growth in Czechoslovakia and debt in Romania — and levels of development vary. And national differences are even more marked when traditions and political structures are borne in mind. But all the countries of Eastern Europe are in a difficult situation calling for new political structures and radical economic reform. Mr Andriessen will be speaking to you later today of his impressions on his recent visit.

Neither must we underestimate the political dangers facing Eastern Europe — and hence also of concern to us — in the uncharted waters leading to the free, multi-party elections scheduled for the spring, and indeed in the post-election period should political reforms fail to materialize, should economies collapse, should there be moves towards Balkanization.

The Community, too, is running enormous risks because the pace of events has fuelled the debate on European integration. I have heard it argued in some quarters that the Community, as a product of the Cold War, should die with the Cold War, completely disregarding the experience accumulated over 40 years on our difficult but exciting journey to pooled sovereignty. I interpret this variously as a return to facile nationalism or a temptation to play the Metternich card. It is as if a changing world had created openings for those driven by vanity and for would-be statesmen seeking to play yesterday's hand.

I know, too, that others are talking in terms of immediate Community membership for the countries of Central and Eastern Europe, as if they were ready, economically and politically, to embrace pluralist democracy and operate a market economy; as if this scenario raised no financial or institutional problems. Perhaps I should remind them that Spain and Portugal spent seven years preparing for Community membership. This goes a long way towards explaining their success and the outstanding contribution they have made to reinforcing the Community spirit.

I quote this example deliberately because it demonstrates that the Community is a unique testbed for plural democracy, that is to say, democracy exercised by a concert of nations.

But we must be wary of raising unrealistic expectations. Of course, the principle is quite clear: any democratic European country is free to apply for Community membership. But, leaving aside the fact that the Community has chosen to concentrate on the improvement of present structures in preference to expansion, it all comes down to ways and means and, while we will not abandon our basic approach, the substance of practical arrangements can vary over time. The question put to every applicant for membership is simple: are you, or are you not, prepared to accept the marriage contract in its entirety, with all that it holds for the future?

But to come back to our neighbours in Central and Eastern Europe: we are duty-bound to help them as they embark on the unique experiment of moving from Communism towards a market economy — a complete reversal of the process to which so many have given so much thought, often blinded by a tendency to equate capitalism with the market economy. How can we help without being paternalistic? How can we lend our support without getting in the way? This is of course principally a matter for the countries concerned. But the Community must commit itself to solidarity, within a new framework for cooperation, which we intend to define as a matter of urgency.

Solidarity has been in evidence from the moment that the Paris Summit in mid-July asked the Commission to coordinate Western aid to Poland and Hungary. Less than two weeks later, experts from 24 countries met in Brussels to assess needs and consider what form action should take. Three meetings were held, the last — a month ago — at ministerial level. At the same time, the Community decided to send emergency food aid, which was already on its way to Poland by the beginning of September. Cooperation is taking shape, the Commission adding its ideas to those of the countries concerned so that coordination can make the entire operation more effective in terms of quality and quantity.

You can see that when there is an urgent need — for food aid and medical supplies — or when the issues involved are relatively well-defined — financial assistance, the opening-up of markets, extension of generalized preferences — the response is swift. Helping these countries rebuild their economies, when the machinery of State is fast disintegrating and individual initiatives are still in their infancy, will be more difficult and will take time. There will be ups and downs. But we must be ready to deal with whatever comes.

The decision taken at the Paris Summit envisaged assistance to Poland and Hungary only. Developments since then have made our task infinitely more ambitious, as the Foreign Ministers of the 24 countries have acknowledged. This will inevitably raise the issue for the Twelve — as this House is well aware — of what Community instruments and what resources are available.

To take Community instruments first. We are in the process of negotiating, or have already signed, trade and cooperation agreements with all these countries. But these agreements are now unlikely to meet *our* requirements and *their* individual and collective needs. We must therefore look beyond them to devise new forms of cooperation and provide a framework for future political cooperation between democratic States.

This could be our goal in drawing up new, revised association agreements. If the six countries so wished, these agreements could include an institutional aspect, the creation of a forum for genuine dialogue and economic and political consultation, the extension of cooperation to the technical, scientific, environmental, commercial and financial spheres; but not necessarily involving a common market, since such ill-prepared economies could not cope with one for a number of years.

This would emphasize the necessarily open-ended nature of cooperation, setting it apart from ordinary trade agreements, which, while they have their uses, merely reflect the balance of interests at a given point in time.

All this presupposes a new series of instruments. Two decisions on training and youth exchanges have already been adopted by the Heads of State or Government of the Twelve and the Commission's work on these projects is already at an advanced stage. At the General Affairs Council on 5 February the Commission will be proposing the creation of a European training foundation, a loose arrangement for promoting exchanges, collecting information and fostering contacts, but also for guaranteeing loans and credit insurance and providing financial assistance, areas in which the new European Bank for Reconstruction and Development will have a key role to play.

It is important to remember, however, that additional financial resources will have to be found for these ambitious plans. This will lead inevitably to a revision of the financial perspective, though there can be no question of going back on budgetary discipline, which must con-

tinue to be our guiding principle. I would like to quote some figures to give you an idea of the scale of the problem. If we were to confine ourselves to extending our own internal arrangements for helping regions lagging behind — what we call 'Objective 1 regions' — to the six countries on the road to democracy, we would need an extra ECU 14 billion a year. If we were to add European Investment Bank Intervention in these same regions, another ECU 5 billion would be required. Finally, allowing for the capacity of these economies to absorb financial aid as they undergo major upheaval, our programme would have to extend over a period of 5 to 10 years. There we have it. It might be a good idea to bear these considerations in mind during the coming months, since the Commission will be making fresh proposals under the Interinstitutional Agreement to adapt resources and instruments to the new situation. And this leads me to put forward another idea, which the Commission sees as vitally important. In February 1988 the European Council took a historic decision to underwrite the internal solidarity and further development of the Community. Another 'February 1988', equally significant, equally historic, is needed to demonstrate our solidarity with Eastern Europe and the rest of the world.

Finally, I would stress that, whatever the solution found, it will be impossible from now on to separate the Community's economic role from its political one. This is one of the major lessons to be learned from developments in the East.

The Community's responsibilities elsewhere in the world

Given developments in the East, renewed *détente* and the emergence of a multipolar world, the Community and its Member States must be in a position individually and collectively to influence the course of events and the future shape of a Greater Europe so that it reflects their interests and values. This will be a crucial topic for discussion and political debate. We must tackle it head-on.

It immediately raises the German question. *Rapprochement*, or even reunification, of the German people is clearly a matter for the Germans themselves. But the Community has an interest too. Let me explain why. The preamble to the German Basic Law of 23 May 1949 links the principle of German reunification, on the basis of self-determination by the German people, to

the issue of European unity — and may I say in passing that this text, which predates the Treaty of Rome by nine years, testifies to the perspicacity of the German leadership.

Furthermore, the Treaty of Rome itself makes reference to this issue, in the Protocol on German internal trade, in the declarations on German nationality and the status of Berlin, and in the 28 February 1957 declaration by the Bonn negotiators.

This makes East Germany a special case. I would like to repeat clearly here today that there is a place for East Germany in the Community should it so wish, provided, as the Strasbourg European Council made quite clear, the German nation regains its unity through free self-determination, peacefully and democratically, in accordance with the principles of the Helsinki Final Act, in the context of an East-West dialogue and with an eye to European integration. But the form that it will take is, I repeat, a matter for the Germans themselves.

Once this issue has been clarified, however, new light will be thrown on our relations with the rest of the world and the future shape of our continent. I propose to begin with the European Free Trade Association, though this does not mean that there is a hierarchy of countries in my mind.

In this House a year ago, I proposed to our EFTA friends that we should look into the possibility of a more structured partnership, going beyond the current association agreements based on limited, though admittedly successful, pragmatic cooperation. Since then, discussions have focused on the overall shape of future negotiations — with particular reference to the four freedoms and the corpus of Community legislation — and their precise content. It would appear, then, that the idea is gaining ground.

But I would like to be frank with these countries, as one should be with one's friends, because the crux of the current debate is the decision-making process. There will have to be some sort of osmosis between the Community and EFTA to ensure that EFTA's interests are taken into account in major Community decisions. But this process must stop short of joint decision-making, which would imply Community membership and acceptance of the marriage contract. This would serve the interests of neither party, so a delicate balance will have to be struck during the negotiations.

I have already spoken about the countries of Central and Eastern Europe.

And last but not least, we must do something about the countries that I call the orphans of Europe — and let me assure you that the expression is not derogatory.

What will the outcome of this process be? Will it end in a grand European confederation, as suggested by President Mitterrand? This is an exciting prospect for all those who believe in the identity of Europe and in its common cultural heritage and traditions. My own view, however, is that a grand confederation will not come into being until the Community achieves political union. It will be for each country to decide when the time comes.

But our responsibilities do not end there. Still on our doorstep, but this time to the South, we need to expand our relations with the countries on the shores of 'Mare Nostrum', the Mediterranean, to sustain progress already made towards democracy and, thanks to economic reform, towards growth and job creation. Down through the ages the Christian, Jewish and Muslim worlds, European and oriental civilization, have met and mingled in the Mediterranean. We must make it our concern, firstly because of traditional trade flows and cultural and historic links, and secondly because we cannot ignore the problems in the world around us, the urgent development needs of countries faced with a steep rise in population, the environmental pressures on the sea we share, and the flash-points of social and religious tension which are a major source of instability. The Strasbourg European Council urged us to flesh out our policy of neighbourly relations, paying particular attention to the Arab Maghreb Union. It is for the Commission to take the initiative to promote cooperation and, in so doing, to demonstrate to the world that the Community's preoccupation with events in Europe has not blinded it to its other responsibilities.

Evidence of this was provided on 15 December last, when the Community and 66 African, Caribbean and Pacific countries renewed the Lomé Convention for the third time. This basis for cooperation, whose stability, durability and predictability is rooted in binding legal commitments, reflects links going back through the centuries and elicited a special effort on the Community side. The financial resources deployed have risen by 46% in nominal terms and 25% in real terms. The ECU 12 billion set aside for the next five years may appear meagre compared with the immense needs to be met — there is little doubt that we can never be generous enough, that our economies are not sufficiently receptive to the needs of the world's

disadvantaged countries. But I would stress that no other official development aid, national or international, has increased to the same extent in recent times.

The Community's awareness of its international responsibilities is also in evidence in relation to Latin America and the Gulf. To cite just one example, the Commission recently received a mandate to negotiate an economic and trade cooperation agreement with Argentina. And we are setting up a free trade area with the Gulf countries, taking care not to damage our petrochemical industry in the process. Nor should we — how could we? — forget the vast region of Asia and the Pacific where astonishing economic progress is under way. Here, too, the Community must play an increased role against a background of newly emerging patterns of regional cooperation. Further evidence of the Community's international status is provided by heightened interest being shown in it by the United States and Japan.

On 21 May President Bush invited the Community and its Member States to become partners in the management of world affairs thanks to the globalization of EEC-US relations and the introduction of new machinery. This offer was repeated and extended by US Secretary of State James Baker in Berlin on 12 December.

I agree that there is something ambiguous about linking transatlantic partnership with European integration as Mr Baker did. Some Member States might interpret it as a deliberate attempt to interfere in our affairs, something which would be unacceptable between two equal partners, the two pillars of the Atlantic Alliance. But it is difficult not to rejoice at the new attitudes emerging on both sides of the Atlantic, the willingness to step up cooperation and prevent the deep relationship between the world's premier powers descending to the level of disputes about pasta and hormones. The bond between the Community and the United States merits better than that. The task of creating a framework for a revitalized transatlantic relationship remains and must be carried out without naivety or ambiguity. We are already working on it, and will be submitting proposals in the course of the year.

Last week I received a proposal from Prime Minister Kaifu to revitalize links between the Community and Japan. He restated Japan's willingness to shoulder its share of the world's economic and political burden — particularly *vis-à-vis* the countries of Eastern Europe — so great is the impact that future developments in

Eastern Europe will have on world affairs. We can only welcome this approach and trust that the new structures for high-level consultation between Europe and Japan will be more effective than the old. I would repeat what I said to Mr Kaifu on this, namely that we feel very disappointed.

Our hope, then, is that the Japanese will take their new attitude to its logical conclusion. They cannot expect the West to apply the principles of openness and free trade indefinitely while these are denied to Western companies in Japan. To put it plainly, there can never be genuine community between the democracies of Europe, Japan and the United States unless we accept and apply the same principles, designed to create an open economy and support multilateral trade, the lifeline of the developing countries.

Completion of the Uruguay Round later this year in Brussels should provide a solution to these trade issues. I mention this because the negotiations will dominate much of the Commission's agenda in 1990. I would sum up the Commission's position on these vital negotiations in three words: effectiveness, interdependence and fairness. Effectiveness, because we cannot afford any setbacks — international trade is the key to stronger and more balanced growth of the world economy. Interdependence, because it is impossible to treat any issue in isolation, though some would like to — progress must be made on all fronts. Fairness, because we must take account of the legitimate interests of the developing countries and the new responsibilities of the recently-industrialized countries.

These three requirements can only be met within a multilateral framework. This means that all threats to the system must be resisted. This indeed is the Community's aim. But pursuit of that aim must be vigorous and exemplary. We must maintain the link between currency, trade and finance, the triple base for an equitable, efficient world economic order.

The Community as a focal point

My purpose in highlighting the Community's many international responsibilities — which events have forced me to discuss at length here today (I shall be dealing with the Commission's programme in greater detail when I address this House again in February) — is to show that the Community must speed up the pace of European

integration if it is to remain a focal point for others.

Clearly the Twelve have little choice. Their role as a focus of attraction is not one they have inherited from history but one they have earned by constant effort and resolve as the pioneers of European integration.

But this does not mean that the Community is the only European organization with a role to play. In the economic sphere there is EFTA, of course, but there is also Comecon. After undergoing radical changes, Comecon must consolidate its function, if only to keep up a flow of trade in products which cannot yet compete on the world market because of their quality. It seems that this was the conclusion reached by Comecon leaders at their meeting in Sofia despite the strong reservations expressed by some delegates about the organization. Should Comecon countries decide to embark on reforms, the Community will be prepared, at their request, to give them the benefit of its experience in economic cooperation.

Then there are the alliances which the two superpowers are resolved to retain as a source of stability, if not control, and which, to judge from certain pronouncements, are to be given new powers. And last but not least another organization offers a broad perspective: the Council of Europe. It must continue to work in the areas of cultural affairs, human rights and education and at the same time help the countries of Central and Eastern Europe to rediscover their cultural roots and refamiliarize themselves with the ways of multi-party democracy.

However, that *effectio societatis* which binds countries together is clearly deepest in the Community. We must be strong if we are to be generous to others, and we must be strong if we are to have any hope of overcoming the national antagonisms which may well re-emerge in Europe.

Strengthening the Community means pressing ahead with implementation of the Single Act. I will come back to this point later. But this alone is no longer enough. As I said in Bruges last October: 'The pace of change is gathering momentum and we must try to keep up. ... Only a strong, self-confident Community, a Community which is united and determined, can truly hope to control that process. ... For the honour of your generation and mine, I hope that in two year's time we will be able to repeat the very words which another great European, Paul-

Henri Spaak, spoke at the signing of the Treaty of Rome: "This time the people of the West have not lacked daring and have not acted too late".'

We need to make progress on two fronts: economic and monetary union and political cooperation.

In Strasbourg on 9 December, the Heads of State or Government showed the way forward. The decision to convene an intergovernmental Conference before the end of 1990 should generate the necessary momentum to guarantee success. The political will is clearly there, but we will need time to overcome the practical difficulties.

We must therefore concentrate on stage one of economic and monetary union, which involves increased cooperation on monetary policy and greater convergence of our economies. This, I must stress, is just as important a prerequisite as full and proper preparation for the Intergovernmental Conference. The success of stage one is the best way to convince the doubters. We have got to produce results.

To help with these preparations, the Commission will submit a preliminary paper in the spring on the final shape of economic and monetary union, followed by a second paper on the institutional changes EMU will entail. The Commission will be playing its full part in the vital preparatory work for the Intergovernmental Conference.

This will involve looking at the issues the Conference will have to resolve. What kind of linkage should there be between the economic and the monetary aspects? What rules should be agreed and in what fields should they apply? To what extent should monetary policy be centralized? How should economic and political powers be divided between the centre and national institutions? What relationship should there be between the Independent Central Bank and the political authorities responsible for general economic policy? What should the *quid pro quo* be in terms of democratic concessions? In particular, what is Parliament's role to be? And this list is by no means exhaustive.

The other way of speeding up progress is political cooperation. The style — and the tempo — of political cooperation will have to change. Of course, we welcome the initiatives taken in this sphere over the last year, first by the Spanish Presidency — on the Middle East, then by the French Presidency — on Lebanon, relations with Eastern Europe and the Euro-Arab Dialogue.

Considering how far foreign policy cooperation lags behind economic cooperation, these initiatives are encouraging. But frankly, they do not go far enough.

There is clearly a risk that the economic attractions of the single market for neighbouring countries will have an adverse effect on the political identity of those who signed the Single Act and committed themselves to 'transform[ing] relations as a whole among their States into a European Union'. Some thought will therefore have to be given to the future of political cooperation.

As far as the approach is concerned, political cooperation is first and foremost, almost routinely I would say, a reaction to world events. Would it not be better to start by defining what I would call 'the vital common interests' of the Member States, to show up the path they should follow and make it easier for them to take the initiative?

The idea is very reminiscent of Mr Tindemans — to begin by defining the vital common interests and to move on from this, not to a fully-fledged common foreign policy, but rather to joint action to defend those interests. As a first step in this direction the Twelve could perhaps mount a joint offensive at the CSCE — that other important template for Europe's future — on economic and human rights issues. They could defend a common position, show a spirit of innovation, be the driving force in an even more significant sense.

There will actually be an opportunity for putting the idea into practice this year, if Mr Gorbachev's proposals to convene a top-level meeting of CSCE participants to take stock of progress on the three baskets and open up prospects for a Greater Europe is accepted. This meeting will present an opportunity and a challenge: an opportunity because the CSCE could provide the framework for my vision of a 'European village'; a challenge because a 35-nation conference which institutionalizes a framework for peace does not necessarily complement 12-nation integration. However, the next economic conference in Bonn in March will give the Community a chance to affirm its identity and make its contribution to the CSCE process. This will be the first test.

The Community position on these issues will be reinforced by its becoming a party to the Strasbourg Convention on Human Rights, something which we will be proposing this year.

Whether the topic is economic and monetary union or political cooperation, we come back in the end to the question of institutions, because this is the only way of strengthening the Community's authority and giving it greater scope for action. I have to admit that so far — with the Single Act and in preparatory discussions on economic and monetary union — I have tended to favour the pragmatic approach of putting forward an objective and suggesting a strategy, than tailoring the decision-making process to fit them.

But when time is short a bolder approach is needed. Given the degree of commitment being asked of the Community, and the danger of the Community being diluted — if only because some countries, alarmed by developments on the continent, are being tempted to play a more national card — we need an institutional structure that can withstand the strain. I know that this House, loyal as it is to the Spinelli philosophy, is about to take an important initiative in this area. So perhaps you will allow me to contribute a few ideas to the debate you will be embarking on, which will, I trust, also involve national parliaments and governments. You can certainly rely on the Commission to make itself heard. And my hope is that what you eventually come up with will form the core of a very broad political review that will allow us to put forward firm proposals, to inform the public at large and to exert the necessary political pressure.

Basically, there are three questions to be answered:

- (i) What kind of executive?
- (ii) What form of democratic control?
- (iii) What powers?

Clearly the executive will have to be capable of carrying out its task to the full. As you know, I have always advanced two solutions to this problem: the first is that each government should designate a deputy prime minister to meet in Brussels once a week to hammer out the necessary deals: the second is that the Commission should be turned into a proper executive answerable for its actions. The logic followed by the authors of the Treaty of Rome and the challenges posed by the outside world demand that we back the second of these options.

The executive would, of course, have to be answerable to the democratic institutions of the future federation — more power means a personal commitment. And it would be appointed democratically, the other two authorities decid-

ing initially on a mechanism for appointing its President, who should have genuine power to influence the choice of the other members.

To deal with the democratic deficit — the answer to the second question — Parliament would have to be given more powers. However, a better arrangement for democratic control will have to be devised: there must be an acknowledgement that the two reflections of the popular will — the European Parliament and national parliaments — are in partnership. This is something that we all need to think about seriously.

There will have to be consultations on this question between members of the European and national parliaments, and the concept of subsidiarity will have to be clarified and reflected in the institutional and legal arrangements. Ours is a Community based on the rule of law, and nothing less will do, as a pledge of further progress along the path of democracy.

As for the third question — what powers? — subsidiarity, as I have just said, must be the watchword underlying any scheme for allocating responsibilities between the Community, the national authorities and the regional authorities. And in the federation of the Twelve — which will be unusual in that the central authority's primary role will be to provide impetus — the principle of subsidiarity will have to act as a constant counterweight to the natural tendency of the centre to accumulate power. At the risk of repeating myself, I will stress that this new step forward must be taken openly and with the question of who does what clearly defined.

But this House has also raised other questions regarding the inclusion of the social dimension, the environment, even education and culture, in the remit of the forthcoming Intergovernmental Conference. My views on this have evolved somewhat and I now feel that the Conference, under a single chairman, should conduct two parallel sets of discussions, one on economic and monetary union and its specific institutional aspects, the other on the remaining questions, including political cooperation, to draw up a full blueprint for the Community of the future.

At any rate, the subject is now open for debate and I am well aware of the dangers. But I can see no better way of creating a large trading area, an area of peace and cooperation, than by pursuing to its end, without undue haste, the Community's patient task of reconciling the proper exercise of its political powers and the requirements imposed by its international responsibilities.

Making a success of the Single Act

But none of these concerns, vital though they may be, can be allowed to deflect us from our central purpose: to make the Single Act an unqualified success. Our prosperity and the Community's future role in the world depend on it. You will see therefore that it is the Commission's main priority in its programme for 1990. This is perfectly compatible with the necessary political innovation which I have just spoken of.

This House has decided to hold two successive debates on our programme for 1990. I welcome that decision since it should help to improve our working relationship — between Parliament and the Commission, that is. And I hope that when we come before your committees, we will be able to accept most of your suggestions and in this way make our common endeavour more effective. For the past has shown, as you are well aware, how vital this is for progress.

With three years to go to the 1992 deadline, we are now well on our way. The Council has adopted almost two-thirds of the 279 pieces of legislation listed in the White Paper and the Commission has presented virtually all its proposals. Indeed, such has been the zealous rivalry of successive presidencies and the sense of responsibility of the institutions involved that some people are under the impression that our mission has been accomplished, that the single economic and social area is already practically complete. It is true that the path is clearly marked, that there is no turning back, but a good deal of political will is still required. As far as the single market is concerned, the Commission will therefore be focusing on two particular areas.

The first is the free movement of persons. At a time when walls are tumbling down elsewhere, this will provide tangible proof to our citizens that they are part of a single geographical and cultural entity, that internal frontiers are a thing of the past. This requires not only closer cooperation between the ministers responsible for immigration but also finalization of the conventions on the right of asylum and the crossing of external frontiers, as called for by the Strasbourg European Council. The Commission would also like to see delays in implementing the Schengen agreement overcome, since this decision by 5 of the 12 Member States will serve as a headline for the Community as a whole. My message, then, is that we need to quicken the pace.

The second area is the removal of tax frontiers. Progress here has been disappointing measured against the goals set by the Single Act. To use a somewhat fanciful image, the partial agreement reached by Finance Ministers in December could be said to be the gleaming bodywork of a car. But the engine — the alignment of VAT rates and the removal of restrictions on purchases by individuals travelling within the Community — is missing! That is the minimum target if we are to do away with the need for tax frontiers.

I do not propose to go into details of the steps to be taken this year under the single market programme. But I would like to rebut the accusations made by some that we are obsessed with deregulating the economy at a time when the staunchest defenders of this doctrine are beginning to realize the excesses of an economic system reminiscent of the fable about the fox in the hen house.

Is it deregulation to lay down Community rules for take-over bids, mergers, the European company statute, or to ban insider-trading?

Is it deregulation to harmonize tests and certification procedures, the labelling of goods, or the conditions for allowing pharmaceuticals on to the market — as part of a realistic policy for informing consumers and defending their interests?

Is it deregulation to harmonize flying time for pilots or hours at the wheel and rest periods for lorry drivers — to avoid the social dumping and distortions of competition which might ensue?

The Commission's view has always been that liberalization and harmonization should go hand in hand. It is true that opening up markets to competition is a prerequisite for the efficient allocation of resources, but no market can operate smoothly without a regulatory framework. Often the only aim in liberalizing at national level is to help make harmonization at Community level more effective.

The Single Act is an indivisible whole. It extends beyond the single market to solidarity through economic and social cohesion, to the social dimension, to the environment and to research and monetary cooperation, which contribute to competitiveness. It implies the creation of a single economic and social area, without which the Community would be a hollow creation, devoid of vitality and political will.

1990 will be the first full year of implementation of reform of the structural policies aimed at

fostering the development and adjustment of the less-developed regions. This will call for a major effort by the Commission, the Member States and the regions, acting together in a new partnership, to ensure concentration and consistency in implementing practical programmes. And the relevance of the Commission's approach, endorsed by the European Council in February 1988, will have to be judged in the light of the results. Success will depend on the diligence of national and regional authorities, the attitude of business and groups representing social interests, and the ability of the Commission to come up with fresh ideas.

The social dimension is a legitimate concern of this House — indeed it sometimes accuses the Commission of being far too timid. But I can assure you that, whatever people may think, the social dimension is central to our work. Without repeating what I said during our discussion last September, I would stress that, while devising a scheme is important (and that is done now, since at the end of the year the Commission adopted an action programme for the Social Charter), the way we go about putting it into practice is equally important: subsidiarity, partnership and gradualism will form the very basis of the Charter's implementation.

Our longstanding ambition has been a harmonious society more accessible to all, and to this end the basic pact is to build a Europe which displays solidarity, in controlled as in managed interdependence, to prevent the danger of disequilibrium.

However, just as lasting growth without social cohesion is impossible, it is also no longer acceptable to believe that anything can be achieved on the social front without action on the economic front. Renewed competitiveness and cooperation on macroeconomic policy must go hand in hand. It was the return to prosperity and sound growth rates that made it possible to create more than five million jobs between 1988 and 1990 and to bring the level of unemployment at the end of 1989 to below 9% of the labour force for the first time since 1982. I agree that 9% is still too high but the trend is encouraging.

Here again I must stress that we have not waited until now to make the social dimension a reality. I would ask the sceptics to count our practical achievements in 1989 alone. Leaving aside the Social Charter and the action programme, substantial progress has been made in a wide range of fields such as health and safety in the workplace (with adoption of four directives, including the framework directive), vocational training

(for instance, adoption of the Eurotecnet programme), education (Lingua and Erasmus II), health (action on cancer and AIDS) and combating poverty.

Our course is set. But in working towards a Europe which displays solidarity, we must be careful to avoid two pitfalls: social dumping at the expense of the more prosperous countries and the strangulation which would impose an intolerable burden on the less-advanced economies and prevent them making the most of their comparative advantages.

The Commission's concern to allow genuine solidarity to play a role without interfering with national traditions forms the very basis for its three-year action programme in line with the wishes of the European Council. The plans for 1990 are ambitious so I will mention only the most important areas: atypical forms of employment, reorganization of working hours, and information for and consultation of workers.

Our underlying approach is clear. We will be proposing broad provisions for these areas, avoiding too much detail, since this would obviously be inappropriate and impracticable, while having due regard to the many interlinked imperatives: promoting better living and working conditions, in line with the basic principles of the Social Charter, and making business more efficient. The two goals are not mutually exclusive. I see this very clearly, for example. In the definition of common provisions on atypical forms of employment, to counter distortions of competition for instance.

As for the practical side, you will not be surprised when I say that there will be wide-ranging consultations with both sides of industry. That is the way I have always worked ever since relaunching the social dialogue in a speech to this House in 1985.

I am well aware that many of you believe that, whatever the limits of the Treaty, it is unacceptable that decision-making should be less effective for the social dimension than for the economic area. As long ago as last September I told you that the Commission was determined to exploit the potential of the Treaty, and Articles 100a and 118a in particular, to the full. And to dispel some scepticism, I would stress that we will look closely into the full potential of Article 118a, in consultation with the appropriate parliamentary committees and experts, so that we can clear up any difference between us and agree on the broadest possible interpretation of both

articles, in line with what I believe to be the wishes of the majority here today.

Solidarity has a bearing on environment policy too, given the importance of reconciling the need to improve the quality of life and the need to ensure that economic growth is viable. Even if green issues go out of fashion one day, the Community will have to press ahead with its programme since the constant striving for a balance between man and nature is an essential element in the European tradition. That is why the European Environment Agency, which I mentioned here a year ago, will become a reality in 1990 to increase our capacity for monitoring and early detection of damage to the environment. This is why the Commission, once again favouring the regulatory approach, will be looking with the help of national experts at ways and means of ensuring that environmental legislation is properly harmonized.

But there are pitfalls here too. We must avoid striking a balance between man and nature at the expense of the balances between the environment and the economy. However, we have yet to find a way of reconciling the two that holds out the prospect of a new model for development which, while still competitive, shows greater respect for the human dimension and the rhythms of nature.

I have already said that to be generous you have to be strong, to show solidarity you have to be competitive. But the opposite is also true. There can be no lasting economic success without equality of opportunities, social justice and the participation of everyone, workers and managing directors, academics and research technicians alike. This is what makes our policy on research and technology for 1990 to 1994, adopted on 15 December, so valuable.

It should enhance the competitiveness of European industry and promote the Community's rise to a major economic power. Do you realize, for instance, that Japanese car manufacturers spend twice as much on research as European firms?

This is why we have decided to adopt a common strategy and focus our efforts on enabling technology, the management of natural resources and the development of intellectual resources. And since, as the United States and Japan have shown, pre-competitive research is the most effective instrument of industrial policy — a term which will make some of you shudder — the Commission has decided to study ways of making Community industry as efficient as poss-

ible in vital sectors such as automobiles, aerospace, electronics and biotechnology. But clearly the Commission will not be naïve in any proposals it makes to the Council and Parliament on commercial policy. Opening up our economy will also depend on our trading partners and on our own success in catching up in areas where we still lag behind. Here, as elsewhere, the Commission cannot afford to drop its guard.

Lastly, there can be no economic power without monetary stability. Cooperation between the Twelve guarantees monetary stability and I can only reiterate how well the European Monetary System works. It accommodated the peseta without any difficulty in September and in the space of three years there has been only one slight realignment, when the lira reverted to the standard margins of fluctuation. We must welcome the courageous decisions of these two countries and their full commitment to taking part in economic and monetary union. In a world beset by monetary instability, the results are there for all to see. This should be an encouragement to one particular currency of major international importance, which the Commission hopes to see joining the system in the course of the year.

Mr President, ladies and gentlemen,

Solidarity within its frontiers and solidarity beyond: the Community's ambitions for Europe and its responsibilities towards the rest of the world are enormous.

As the people of Central and Eastern Europe take their destiny in hand, throwing off the

shackles of Yalta and Potsdam, I find myself regretting that *our* venture does not have more popular support. Perhaps people should think on these words of Václav Havel which are particularly pertinent today: 'Political programmes cannot take shape, ... exert any real influence unless founded on civic consent'.

Today, once again, necessity demands that the Twelve increase the pace and press further along the road to integration. As the superpowers map out their vision of our continent the question is this: is Europe to be a mere spectator or is it to play an active role in shaping tomorrow's world?

If Europe is to help fashion its own history, 1990 must be a year of serious thought and political debate to identify and define the aims, structures, decision-making procedures and arrangements for democratic control in a European Union. A Community with a mission, playing a full part on the political stage in Europe and in the rest of the world, North and South alike.

History is pressing us to respond: 'Does the Community want to continue, shouldering its full responsibilities at home and abroad?' There is no doubt about the Commission's answer. It is an enthusiastic, unequivocal 'yes'. The ball is now in your court. It is up to you — and by you I mean governments, this House, the Economic and Social Committee and national parliaments — to give a straight answer to the same question. For my part, I have no doubt that this House will respond positively. I am convinced that it has not only the will but also the political ability to advance the cause of European integration.

The Commission's programme for 1990

I — Implementing the Single Act

1. Introduction

1. The Commission's main priority this year, as in previous years, will be the establishment of a common economic area within the Community, accompanied by implementation of all the objectives set out in the Single Act: the internal market, economic and social cohesion, research and technological development, the social dimension, the environment, and monetary capacity.

2. Implementation of the Single Act is being made easier by progress in two of the three areas of institutional reform, with wider use of qualified majority voting and more active and effective involvement of Parliament in the decision-making process. Unfortunately the same cannot be said for the third area — the Commission's implementing powers. Here the Council all too often refuses to follow the inner logic of the Single Act. Economic and social integration is moving forward thanks to a general climate of renewed economic dynamism, reflected in the growth of investment and in the rise in the number of new jobs created since 1988. Coming to the third part of the Single Act, political cooperation must be used to the full to meet the new challenges posed by rapid developments in Central and Eastern Europe. But optimum implementation of the Single Act is essential if political cooperation and economic and social integration are to remain in step.

2. Completing the internal market

3. Establishing a large frontier-free market forms a single whole and maintaining an overall approach is one of the conditions for success. It is with this aim in view that the Commission will draw up the second progress report required by the Single Act at the end of the year, preparing the ground for implementing Article 100b.

4. All those involved in establishing the frontier-free area must ensure that the single market is in place and operational from 1 January 1993. The Commission has made its contribution by presenting all the proposals planned in the White Paper. However, prompt action is needed, particularly on measures to incorporate directives into national law, to clear the backlog of decisions awaiting implementation. The Com-

mission will be taking a number of initiatives to strengthen cooperation with the Member States and heighten their awareness of the problem. These will include a six-monthly progress report on the incorporation of directives into national law to permit on-going central monitoring.

Priority areas

Free movement of persons

5. In accordance with the conclusions of the Strasbourg European Council, the Coordinators Group must see to it that the conventions on asylum and the crossing of external frontiers are finalized; both are essential for the purposes of Article 8a of the Single Act. The Commission will play its part here and will keep a careful watch to ensure that progress on matters within Community jurisdiction is not delayed by the Group's work. A need for harmonization of the provisions for the protection of personal data has also become apparent and the Commission will draw up the necessary proposals. It will also contribute actively to the Group's work on the drugs problem and during the second half of the year will present its contribution to the study requested by the European Council on the immigration policies of the Member States.

Removal of tax frontiers

6. As far as indirect taxation is concerned, the Council has reached unanimous agreement on the principles of a transitional VAT system involving payment of the rate applicable in the country of destination. This system is to be reviewed before the end of 1996 preparatory to the introduction of a definitive system involving payment of VAT in the country of origin. Arrangements for the gradual alignment of VAT rates have also been agreed. However, the Council has so far failed to secure unanimity on the removal of restrictions on purchases by individuals travelling within the Community by 1 January 1993. In line with the conclusions of the Strasbourg European Council the Commission considers that decisions are needed as a matter of urgency to take the process of abolishing tax frontiers beyond the point of no return.

Follow-up measures

Government procurement

7. The Commission will be finalizing its package of proposals on government procurement with a view to extending liberalization to include

the most important areas of the service sector and to introducing means of redress to underpin liberalization in water, energy, transport and telecommunications, already the subject of a proposal.

Single market for financial services

8. The Council Directive liberalizing capital movements between eight Member States will come into force on 1 July. This measure is an essential condition for the financial integration of the Community. It is not, however, sufficient. It is now necessary to bring to a rapid conclusion the work on the proposals still outstanding for completing the financial market. The Commission will also be encouraging the dismantling of obstacles to cooperation between the various supervisory authorities in the Member States.

9. In the field of insurance the Commission's main aim is to establish a single authorization for life assurance and direct insurance other than life assurance enabling companies to offer their products and services throughout the Community on the basis of control in the Member State of origin.

Business taxation

10. The Commission will be proposing priority guidelines on the direct taxation of companies with an eye to completion of the internal market. It will also be presenting the additional proposals needed to remove the tax barriers to increased cooperation between companies in different Member States.

Pharmaceuticals

11. Up to now, decisions as to whether or not medicinal products for use on humans or animals should be placed on the market have been taken by the individual Member States. Despite the fact that voluntary coordination procedures have existed for 10 years, the principle of mutual recognition has never actually been applied. The harmonization of national authorization decisions is clearly a prerequisite for the free movement of these products. The Commission is planning to propose a system incorporating both centralized and decentralized authorization procedures and including provision for an agency whose task would be to coordinate scientific evaluation and national procedures and to prepare the ground for Community decisions.

Other important areas

Standardization and certification

12. The adoption of harmonization directives must go hand in hand with the introduction of European standards. To streamline the process, the Commission plans to encourage the setting-up of a single standardization network incorporating the three existing ones. A Community product certification procedure will also be needed to ensure confidence and secure acceptance of mutual recognition.

Foodstuffs

13. The implementation of legislation adopted in recent years (additives and inspection, materials in contact with foodstuffs, health foods) demands adequate management resources. The Commission will make proposals for the introduction of Community machinery for the scientific evaluation of foodstuffs, in close collaboration with the competent institutes in the Member States. At the same time, it will ensure that the Community is provided with the resources needed for anticipating developments in this sector.

Intellectual and industrial property

14. In tandem with the harmonization of national legislation, the introduction of Community-wide patents and trade marks will allow completion of the internal market in goods protected by a patent or trade mark. Decisions on the proposal for a Regulation on the Community trade mark which have been awaited for years cannot now be postponed any longer. Member States should also act urgently to ratify the Community Patent Agreement concluded in Luxembourg on 15 December 1989. The Commission will be finalizing a proposal for a Directive establishing an additional certificate for the protection of medicines.

Animal and plant health

15. The Commission will ensure that the texts adopted by the Council on the basis of its proposals are compatible with the deadlines set by the single market programme and allow it to exercise implementing powers in a satisfactory manner.

Competition

16. The opening of markets to competition is now vital if there is to be efficient allocation of resources. The Commission will speed up work on completion of the relevant corpus of legislation in conjunction with the development of Community policies generally. One of the main gaps still outstanding was filled last year with the adoption of the new merger control Regulation, which will enable the Commission to ensure that changes in the dimensions of Community-scale businesses do not inhibit free competition in a single market.

17. The objective of fair competition against a background of increased economic and social cohesion in the Community demands strict adherence to the rules on State aid and a tightening of discipline in applying Article 92 of the EEC Treaty. The Commission will seek to obtain a reduction in State aid and will examine the conditions governing existing schemes.

Development of Europe-wide networks

18. The Commission intends to implement its initial communication by drawing up a work programme with the sectors concerned for presentation to the Council by the end of the year. The programme, based on a mid-year interim report, will identify priority projects and their lead times as well as obstacles to the use of Community-wide infrastructures; it will also look at funding problems.

Transport

19. It is the Commission's aim to develop a common transport system which will guarantee the free movement of services, comparable conditions of competition and optimum working conditions, with due regard for the environment. Hence the need to strike a balance between liberalization and harmonization.

In the air transport sector the package of proposals presented last year to allow freedom to provide services will be followed by similar proposals on air freight. As far as road transport is concerned, details of the definitive arrangements governing access to the road haulage market designed to guarantee freedom to provide services will have to be worked out. Efforts will also have to be made to build on last year's

decision to allow cabotage. In the case of passenger transport very significant progress will have to be made on market access and on cabotage if freedom to provide services is to become a reality. Last year's proposals on rail transport should ensure some initial degree of access to non-resident companies to provide services in national networks.

20. Comparable conditions of competition will be established in the maritime transport sector by improving the competitiveness of European shipping. The package proposed last year will be followed by measures to facilitate vessel movements within the Community and improve crew training. The Commission will be holding talks with the relevant non-Community countries and international organizations with a view to receiving fair access to world markets for Community shipping companies. Various proposals will be presented to ensure comparable conditions of competition in the air transport sector. For rail transport technical harmonization measures have yet to be proposed and blueprints established for the European high-speed rail network and the combined transport network.

Energy

21. The central objective of Community energy policy is the same as it always has been: to guarantee security of supply under conditions which will enhance economic competitiveness and prosperity. A new approach will be needed if the internal market in energy is to be achieved.

22. As far as liberalization and efficient use of investment in the energy sector are concerned, efforts this year will focus on improving price transparency and transit arrangements for gas and electricity, with the Commission pressing for a Council decision on proposals presented in 1989. At the same time feasibility studies on third-party access to high-voltage electricity and high-pressure gas networks will continue. The movement of energy products within the Community is governed by national monopolies and exclusive rights. The economic and technical justification for this will be examined.

23. There must be further action on the development and dissemination of innovative technology geared to the gradual reshaping of the Community's energy model and to the consolidation of internal economic and social cohesion. The need for greater environmental protection is another challenge to be faced. Preparatory

work is under way on measures to promote more efficient use of energy and the development of economic and competitive renewable energy sources.

Telecommunications

24. The Commission will be continuing its work on the specific directives coming under the 'open network provision' framework Directive. The fast-developing digital cordless telephone services, including mobile communications systems, must be geared to interoperability. If appropriate steps are not taken, national markets may not open up as they should. The development of Europe-wide networks also requires the setting-up of high-speed telecommunications systems. The Commission will be assessing the need for such electronic highways in the large market.

25. It is quite clear that the postal services will have a major economic and social role to play in the single European market. The Commission firmly intends to initiate action at Community level. It will be speeding up the work currently under way and spelling out its views on possible criteria for Community action.

Car industry

26. In line with the comprehensive paper presented to the Council, the Commission will continue its work on measures paving the way for implementation of Community type approval for motor vehicles and technical harmonization rules will be supplemented by strict emission standards. At the same time new R&D projects will be undertaken under the 1990-94 R&TD framework programme to promote development in a number of strategic areas (materials, manufacturing technologies, etc.). Adjustments will also have to be made to commercial policy in the run-up to the single market.

3. Application of the February 1988 package

Structural policies

27. Virtually all the Community support frameworks for Objectives 1, 2, 3 and 4 were adopted by the Commission late last year; those for Objective 5b should be adopted by the end of March.

1990 will therefore be the first year of implementation and management of all the Community support frameworks and the resulting operational programmes, and consequently the first year of application of the principle of partnership between the Commission, the Member States and the regions concerned. This will be reflected in a drive to achieve additionality and a major effort to ensure concentration and consistency in implementation of the operational programmes.

This will impose tight constraints at all three levels. The Commission will be in a position to begin gauging the appropriateness of the eligibility criteria laid down in the framework Regulation, especially as regards automatic reliance on statistical indicators, which leaves the Commission with very little room for manoeuvre.

28. Implementation of the first set of Community initiatives adopted by the Commission in 1989 will start this year.

The Commission will also select other priority areas in line with requirements and with due regard to requests made by Member States, the need to supplement certain aspects of the Community support frameworks and the desirability of measures to back up the policies envisaged in the Single Act.

29. Implementation of the reform of the structural policies calls for permanent machinery for monitoring and assessing the results of operational programmes; this will require a massive computerization and harmonization effort on the part of the Commission and the Member States.

Strict and consistent budgetary management will be the essential Commission tool for complying with the basic principles of the reform (partnership, concentration, programming, coordination and additionality). Following the amendments made to the Financial Regulation, those principles should contribute to steady implementation of the operational programmes, thereby limiting automatic cancellation of appropriations and reducing the need for carryovers.

30. The Commission will draw up the first annual report on application of the framework Regulation and the report on the socio-economic situation of the regions.

31. The Commission is beginning a study on land use in the Community up to the year 2000, an initiative backed by the informal meeting of Ministers responsible for regional planning and policy held at Nantes on 25 November.

32. Consolidation of the reforms of recent years is vital both in markets policy and in rural development policy.

On the markets front the policy of reorganization and stabilization will continue. The reform of the market organization for sheepmeat takes effect this year and the implementing arrangements will need to be introduced gradually.

The Regulation governing the operation of the market organization for sugar is due to expire shortly and a proposal for reforming the system will be presented. Likewise, the operation of the market for bananas will need to be reviewed. In 1990 the second stage of the accession of Spain and Portugal gets under way; this will entail the establishment of a number of market organizations in both countries.

33. The new rural development policy relies not only on implementation of the reform of the structural Funds (Objective 5b in particular) but also on adjustment of existing policies in general to take account of changes in the requirements and development priorities of rural areas in the Community. The Commission will be making specific proposals, notably in relation to quality policy, the industrial use of agricultural products, the link between agriculture and the environment, telecommunications for the benefit of the rural population, rural tourism, vocational training, and so on.

34. This year will see the application of the common fisheries policy in the Mediterranean. The Commission's aim is to protect stocks from the threat of overfishing, to ensure the uniform and effective exploitation of fishery resources, and to provide a consistent framework for structural adjustments to the fleet, facilities and the processing industry. Appropriate solutions must be found for the coastal economy, which is marked by an alarming decline of some stocks and by a growth in fishing effort both by the Community and by the fleets of non-member countries.

35. With a view to increasing potential access by Community fishermen to new stocks against a background of development cooperation with coastal countries outside the Community, an effort must be made to develop joint ventures. The Commission will be giving thought to the matter.

36. In February, acting under point 12 of the Interinstitutional Agreement, the Commission will be proposing a revision of the financial perspective for 1991 and 1992 to take account of new developments affecting Community policies since the Brussels European Council in February 1988, including the external solidarity displayed by the Community in response to the widespread surge towards freedom throughout Eastern Europe in 1989. It will be carried out in advance of the Commission report on the application of the Interinstitutional Agreement due in 1991 pursuant to point 19 of the Agreement.

The Commission will continue to display all the vigilance needed to ensure the maintenance of budgetary discipline. The Interinstitutional Agreement must remain central to decision-making throughout the 1991 budgetary procedure as it was throughout the 1990 procedure.

37. Completion of the internal market, implementation of the reform of the structural Funds, stabilization of the agricultural markets and the new rural development policy will require closer policy monitoring, a task falling notably to Financial Control, which will make use of systems audit, statistical audit and economic assessment techniques and gradually develop its internal audit function. Special emphasis will have to be placed on the fight against fraud. Acting in response to the repeated requests of Parliament, the Council and the Court of Auditors, the Commission will be consolidating and simplifying existing rules and regulations, proposing a number of additional new measures and stepping up cooperation with the Member States, especially under the partnership arrangements.

4. Social dimension

38. The first concrete steps will be taken this year to implement the most urgent aspects of the Commission's action programme, namely the reorganization of working time, atypical work, and consultation, information and participation procedures for workers. At the same time the increased mobility of labour calls for greater transparency of the respective rights and obligations of employers and workers throughout the Community.

The Commission will press ahead with action initiated last year under Article 118a of the Treaty in relation to health and safety at the workplace.

The Commission will also step up its efforts to develop the ongoing social dialogue between unions and employers' organizations in the Community with a view to the adoption of joint opinions on topics bearing on education, training and the European labour market. The scope for action at national level based on these opinions will be discussed with both sides of industry.

39. The Commission will extend current Community action in the field of vocational training by focusing on a number of priority areas: the Force programme (continuing vocational training) will enable workers in the Community to have access to vocational training throughout their working lives; the aim behind the launching of Eurotecnet II will be to adapt training to technological change; and the Commission will also reflect on the scope for rationalizing and coordinating Community action programmes on vocational and continuing training.

40. Creation of a single economic area presupposes the reduction of disparities in rules and regulations. The Commission will endeavour to work towards this objective and will speed up work on the equivalence of qualifications.

5. Research and technology

41. The adoption on 15 December of the R&TD framework programme for 1990 to 1994 will give a fresh boost to Community action this year. The programme concentrates on activities designed to enhance the competitiveness of European industry and promote the Community to a leading economic power.

Fifteen proposals for specific programmes will be presented by the Commission in the three areas covered by the framework programme: enabling technologies, management of natural resources, and utilization of intellectual resources.

The new features of the latest framework programme will be reflected in the specific programmes, notably setting the training of research workers on a European footing, strengthening links with the Eureka project, developing technologies related to the setting-

up of Europe-wide information and communications networks to assist the operation of the single market, and promoting mobility among research workers.

42. The Commission will be considering ways and means of maximizing the efficiency of Community industry to take advantage of the growth potential of world markets in vital sectors such as aerospace, consumer electronics and biotechnology.

6. Environment

43. Not only is it no longer possible to maintain the quality of life and sustain economic growth without taking account of the environment; but the success of the other Community policies hinges on it.

The Commission considers that the enactment of further legislation is a top priority. With the assistance of national experts it will be examining measures for the harmonization of environmental, economic and fiscal instruments.

The environmental implications of the single market programme must also be taken into account. Community product standards will have to be introduced to guarantee a high level of environmental protection. Community action on nature conservation must also be consolidated. In an attempt to expedite establishment of the European network of protection areas (Natura 2000) the Commission will be proposing financial measures to underpin the proposal for a Directive on the protection of natural habitats already on the table.

Environmental monitoring and impact assessment capability need to be increased. The setting-up of the European Environment Agency and the associated verification and information network will provide the necessary assistance.

44. It is the Commission's view that legislation and international agreements are not enough if the Community is to meet the major environmental challenges facing it both inside and outside its borders. The use of new economic instruments should enable Member States to provide more funding for environmental programmes and projects.

Finally, the Commission will be making an active contribution to the current review of the basic principles of international environment law (including the definition of the obligation to protect 'global property').

Implementing the Single Act

Completing the internal market

- Monitoring the achievement of the internal market:
 - Fifth annual report on the implementation of the White Paper
 - Report required by Article 8b of the Treaty on the progress made towards achieving the internal market
- Implementation of Community rules in the Member States:
 - Proposal for an exchange programme for national officials responsible for the implementation of Community rules
 - Six-monthly progress reports on the incorporation of Community directives into national law

Harmonization

- Communication on standardization in Europe in order better to structure European activity
- Establishment of a European network for testing and certification
- * EEC marking: proposal for a Directive on the conditions for marking the conformity of products
- * Proposals for Directives on the technical harmonization of specific items of equipment (hydraulic lifts, pressure vessels, etc.)
- * Proposals for Directives completing the arrangements for EEC type-approval for motor vehicles (including lorries, buses and coaches, tractors and two-wheeled vehicles)
- * Proposals for Regulations introducing a Community authorization procedure for new drugs and a procedure for the recognition of national authorization for all other drugs; proposal for a Regulation establishing a European agency for the evaluation of drugs
- * Proposals on improved harmonization of the advertising of drugs
- Proposals on food product quality
- * Proposals for Directives on the implementation of the testing and flavourings Directive and on labelling, food additives, hygiene, and materials and articles in contact with foodstuffs
- * Proposals for a Regulation concerning new food products and contaminants

Government procurement

- * Proposal for a Directive coordinating national rules on the remedies available in respect of contracts awarded in the water, energy, transport and telecommunications sectors
- * Utilities: proposals for Directives on the liberalization of public utilities contracts, including those in the 'excluded sectors'

Service sector

- * Proposal for a Directive establishing a single authorization concerning mass risks in life assurance and direct insurance other than life assurance

Intellectual property

- * Community trade mark: proposals for Regulations supplementing the pending proposals on the Community trade mark and the approximation of legislation
- * Proposal relating to the legal protection of new medicines

Company law

- * Measures to amend or supplement the fourth and seventh company law Directives on annual and consolidated accounts
- * Proposals to eliminate legal barriers to the acquisition of companies by means of takeover bids

Taxation

- VAT and excise duties: additional proposals to complete the necessary measures (closer alignment of rates, transitional VAT system, special VAT arrangements, abolition of travellers' allowances)
- Proposals for guidelines on the direct taxation of companies and for a Directive on the taxation of groups of companies established in more than one Member State

Animal and plant health

- Proposal for a Regulation on breeders' rights for plants and seeds
- Proposal for a Regulation on checks for the prevention of zoonoses in animals and animal products in order to prevent the occurrence of infections and food poisoning
- Proposal for a Regulation on residues in animals and fresh meat, particularly poultry, poultry-meat, aquaculture products and other products of animal origin
- Proposal for a Regulation on the eradication and control of exotic diseases
- Proposal for a Regulation on the eradication and control of Newcastle disease

Other proposals

- Development of Europe-wide networks: action programme

Removal of physical frontiers

- * Proposal concerning the protection of personal data (free flow of information, freedom to provide services)
- Laundering of money: proposal concerning the proceeds of unlawful activities

Competition

- State aid:
 - Review of existing aid schemes, in particular general schemes of aid to investment and aid schemes for exports to non-member countries
 - Updating of the inventory of aid measures
- Maritime transport: proposal for a Regulation concerning a block exemption for consortia
- Energy: application of the rules of competition and Article 37, notably as regards access to transport and distribution networks
- Shipbuilding: aid code (expiry of sixth Directive)

Transport

Rail transport

- Establishment of a blueprint for the European high-speed train network
- Technical harmonization
- Establishment of a blueprint for the European combined transport network

Road transport

- Proposals for Regulations on:
 - Establishment of definitive arrangements governing access to the road haulage market following abolition of quotas on 1 January 1993
 - Re-examination of social provisions
 - Establishment of definitive arrangements for cabotage

Air transport

- Proposals for Regulations on:
 - Common rules for air freight
 - Rules governing the acquisition and compatibility of air traffic control equipment
 - Rules on air accident investigations and rescue operations in border regions
- Harmonization of rules on flying time and the allocation of slots
- Code of conduct on the allocation of slots

Maritime transport

- Proposals for Regulations on:
 - Rules on vocational training
 - Facilitating vessel movements between Community countries

- Conditions governing the right to transport certain goods aboard ships on the Community register

Energy

- Proposal on security of supply in the context of the internal energy market
- New energy guidelines for the beginning of the 21st century
- Study of the conditions governing third-party access to electricity and natural gas networks
- Inventory of Member States' laws, regulations and administrative provisions in the electricity sector
- Elimination of national barriers with regard to oil and gas production
- Technical standardization: communication on the need to harmonize standards in respect of gas, electricity and petroleum products
- Preparation of a Community action programme to promote energy efficiency (SAVE)
- Preparation of a Community action programme on the commercial exploitation of renewable energy sources (Altener)

Telecommunications

- Open network provision:
 - * Proposal for a Directive on rented lines
 - * Proposal for a Directive on the mutual recognition of declaration and/or licensing procedures
- Digital cordless telephone services:
 - * Proposal for a Directive on frequency band reservation
 - Recommendation to the Member States on the setting-up of these services
- Electronic highways: communication on high-speed telecommunications networks
- Electronic data interchange system for trade and industry: proposal to extend the Tedis programme
- Data security: proposal concerning a special measure
- * Proposal for a Regulation to harmonize legislation on the legal protection of data

Structural policies

- Implementing the reform by launching new programmes and continuing existing ones:
 - Establishment of Community support frameworks for rural development (Objective 5b)
 - Preparation and implementation of operational programmes, global subsidies and cofinancing of aid schemes and loans under the Community support frameworks for regions whose development is lagging behind (Objective 1), the conversion of areas affected by industrial decline (Objective 2) and the development of rural areas (Objective 5b)
 - Preparation and implementation of programmes and other forms of Community assistance to promote the employment of the categories of person covered by Objective 3 (combating long-term unemployment) and Objective 4 (facilitating the occupational integration of young people)

- Implementing the reform (investment aid, young farmers, training, etc.) with a view to speeding up the adjustment of agricultural and forestry structures (Objective 5a)
- Introduction of effective arrangements for the monitoring and assessment of assistance
- Launching and implementation of Community initiatives: concentrated initially on the environment (Envireg), R&D (Stride), coalmining areas (Rechar) and border, cross-border and extremely remote areas
- Report and proposal on the Azores, the Canaries and Madeira
- Strengthening and monitoring of partnership:
 - Cooperation with national, regional and local authorities including technical assistance
 - Contacts with both sides of industry: organization of a conference on the Community's regional policies and business strategies in the run-up to 1992
- Cross-policy implications:
 - Establishment of a forward plan for land use in the Community up to the year 2000
 - Contribution of other Community policies to economic and social cohesion

Agriculture, rural development and fisheries

Agricultural markets

- Proposal concerning agricultural prices and related measures
- Proposals for Regulations to prepare for the second stage of the accession of Spain and Portugal
- Sheepmeat: proposal for a Regulation to implement the new market organization
- Sugar: proposals on the quota system
- Wine: proposals for the market organization
- Tobacco: proposals for the market organization
- Bananas: market organization

Rural development

- Proposals for Regulations relating to the operation of the markets (differentiation of market mechanisms to assist certain producer categories)
- Report and proposal concerning joint-trade organizations and agreements in agriculture
- Proposals for Regulations on quality policy (designations of origin and protection of regional designations, introduction of quality labels)
- Measures to provide greater information through rural information forums
- Additional proposals for implementing rural development policy

Fisheries

- Proposals to implement a Community scheme for the conservation of resources in the Mediterranean

- Joint ventures: formulation of guidelines for the future
- Inshore fishing: proposals for Regulations on the management of conservation measures

Financing

- Financial perspective 1988-92: proposal for a revision (point 12 of the Interinstitutional Agreement)
- Proposal to promote the use of the ecu
- Measures to combat fraud: tightening up the arrangements for combating fraud, and legislative proposals relating to inspection, penalties and simplification; increased cooperation between Member States to implement the new measures to combat fraud

Social dimension

Social Charter

- Commission action programme to implement the Social Charter with regard to job transparency and job creation, health protection and safety at the workplace, equal treatment, improvement of living and working conditions, and in particular:
 - Atypical forms of employment: proposal for a Directive on contracts and employment relationships other than full-time open-ended contracts
 - Improvement of living and working conditions: proposal for a Directive on the reorganization of working time
 - Information, consultation and participation of workers: Community instrument on the procedures for the information, consultation and participation of workers in European-scale undertakings or groups of undertakings
 - Proposal for a Directive on the introduction of a form to serve as proof of an employment contract or employment relationships other than full-time open-ended contracts
 - Frontier workers: communication on the living and working conditions of Community citizens in frontier regions, in particular frontier workers
 - Subcontracting: proposal for a Community instrument on conditions of employment applicable to workers from another Member State working in the host country in the context of the provision of services

Vocational training

- Rationalization and coordination of programmes on vocational training (exchanges for young workers, initial training, Petra)

Safety, Hygiene and Health Agency

- Proposal for a Directive on the protection of pregnant women at work

Health and safety at the workplace

- Proposals for Directives on:
 - Medical assistance on board ship

- Temporary and mobile construction sites
- Exploration and exploratory drilling industry
- Specific information system for persons exposed to certain dangerous industrial substances
- Safety signs at the workplace

Freedom of movement for workers and freedom to provide services

- Adjustment of social security arrangements in the case of workers moving within the Community
- Preparatory work on the transferability of additional pension schemes

Equal treatment

- Proposal for a Decision on a third Community programme (1991-95)
- Second report on employment in Europe

Research and technology

- * Implementation of the R&TD framework programme 1990-94: proposals for specific research programmes on
 - Enabling technologies:
 - Information and communication technologies
 - Communications technologies
 - Information technology systems of general interest (networks)
 - Industrial and materials technologies
 - Measurement and testing
 - Management of natural resources:
 - Environment
 - Marine science and technology
 - Biotechnology
 - Agricultural and agro-industrial research
 - Biomedical and health research
 - Life sciences and technologies for the developing countries
 - Non-nuclear energy
 - Nuclear safety
 - Controlled thermonuclear fusion
 - Utilization of intellectual resources: human capital and mobility
 - Special programme on the dissemination of findings and the utilization of knowledge
 - Proposal on Community participation in the international human frontier programme
 - Communication laying down a general framework for scientific collaboration with non-member countries

Environment

- Establishment of the European Environment Agency

Air pollution

- * Greenhouse effect: establishment of a plan of practical measures to control and reduce emissions of greenhouse gases (in particular CO₂)
- Ozone layer: proposals to implement the Montreal Protocol
- Air quality: proposal for a Directive on the collection of data on photochemical oxidants (in particular ozone)
- * 'Clean lorry': proposal for a Directive on the control of gaseous and particulate emissions from diesel-engined heavy vehicles (amendment of Directive 88/77/EEC)
- Light commercial vehicles (up to 3.5 tonnes): proposal for a Directive on the control of gaseous emissions
- Large coal-fired combustion plants (50 to 100 MW): proposal for a Directive laying down emission limit values (follow-up to Directive 88/609/EEC)
- * Sulphur in gas oil: proposal for a Directive laying down a single value (application of Directive 87/219/EEC)

Waste management strategy

- Preparatory work on the setting-up of an environment-friendly labelling system (labelling of environment-friendly products)
- Incineration of toxic and dangerous waste: proposal for a Directive on permissible emission levels
- * Landfills: proposals for Directives to approximate landfill standards and prohibit the disposal of certain categories of waste in landfills

Chemicals

- Revision of Regulation 3322/88 on chlorofluorocarbons (ozone layer)

Nature conservation

- Endangered species: proposal for a Regulation revising the Convention on International Trade in Endangered Species of Flora and Fauna (Cites)
- Proposal for a Regulation on the financing of habitat/biotope projects

Taking environmental impact into account

- Proposal for a Regulation on a special action programme to clean up the coastal areas of the North Sea, the North-East Atlantic, etc.
- Proposal for a Directive introducing compulsory assessment of the environmental impact of major agricultural projects (amendment of Directive 85/337/EEC)
- Recommendation to the Member States on the protection and development of sensitive coastal areas and Alpine regions

- * Containers: proposal for a Directive on containers (including containers for liquids for human consumption)

Nuclear safety

- Basic radiation protection standards: partial revision of Directive 80/836 and amended proposal for a Directive on prior authorization for the transport of radioactive waste
- Radioactive waste: revision of the 1982 Commission recommendation (Article 37 of the Euratom Treaty)

Use of economic instruments

- Studies and guidelines on the use of economy-based measures to implement environment policy

II — Economic and monetary union

45. In a world beset by currency instability, the European Monetary System has operated successfully. There were a number of positive developments, with the entry of the peseta into the exchange-rate mechanism, the narrowing of the margin of fluctuation for the lira, and the progressive liberalization of capital movements. The Commission is confident that the system will continue to run smoothly and hopes that other currencies will join during the coming year.

46. The conclusions of the Strasbourg European Council on the various stages of economic

and monetary union (EMU) must be implemented in full.

The Commission will therefore press ahead energetically with its efforts to establish multilateral surveillance of the convergence of economic policies and performance. It will shortly be presenting a synopsis of the main proposals on EMU, including an analysis of the advantages and implications of the main options. It will also look into the institutional implications and questions. In the next few months it will be producing a communication on the main elements of EMU, initially focusing on a predominantly technical analysis and moving on to examine the institutional aspects.

47. The Commission will also continue its efforts to promote use of the ecu.

Economic and monetary union

- Implementation of stage one of EMU:
 - Study and implementation of multilateral surveillance of the convergence of economic policies and performance
 - Annual economic report; reports to the European Council and to Parliament on the results of multilateral surveillance; country reports; examination of the budgetary situation of the Member States
- Communication on the main elements of EMU:
 - Analysis of the economic implications of EMU, synopsis of alternatives and framework for assessing main options
 - Definition of the institutional framework of EMU (fields of action, principle of subsidiarity)
- Direction of borrowing/lending policy and adaptation of the financial procedures for supporting development of the ecu

III — Growing role of the Community in the world

48. The process of transformation under way in Central and Eastern Europe and the changes in East-West relations have given the Community continent-wide responsibilities, particularly in view of the attraction which its political and economic model holds for many countries. The strengthening of political cooperation by the Single Act will enable the Commission to help the Community face up to this challenge. But its role within the new Europe in no way releases the Community from its increased obligations to the developing world.

Now that signature of the fourth Lomé Convention has reinforced and expanded its special relationship with the ACP countries, the Community must turn its attention to stepping up cooperation with other developing countries, notably in the Mediterranean, Latin America and Asia.

Relations with the United States and Japan

49. The Commission continues to attach great importance to political, economic and trade links with its major partners.

Relations between the Community and the United States have entered a new phase. The progress of European integration on the one hand and the rapid pace of change in Eastern Europe on the other have made the need for closer cooperation apparent to both parties. While trade relations will remain an important item on the Community-USA agenda, the two parties recognize that it should no longer predominate and that the emphasis should be placed on greater cooperation in their mutual interest. In his recent speech in Berlin, the Secretary of State, James Baker, unequivocally stressed the need to strengthen transatlantic relations; this was also raised during the ministerial meeting between the Commission and the United States held in Brussels on 15 December, when it was agreed that officials from both sides should examine jointly the various ways of intensifying and improving the effectiveness of EEC-USA cooperation. A joint declaration to this effect was adopted at the end of the meeting. Work is due to commence this year.

Trade relations between the Community and Japan have improved, mainly as a result of the

sustained growth of domestic demand in Japan and certain measures designed to improve market access. Despite this, the continuation of an excessively high trade deficit, the slow pace of structural reform and the difficulty in gaining access to certain Japanese markets remain major causes for concern. The Commission is determined to continue its efforts to achieve dynamic and harmonious growth in trade. At the same time, it attaches major importance to the development of cooperation in areas of mutual interest, with a view to widening and deepening relations between the Community and Japan.

Cooperation with the countries of Central and Eastern Europe

50. The Commission will continue coordinating economic assistance to Poland and Hungary within the framework of Operation Phare, both at Community level and at the level of the 24 countries involved, by virtue of the mandate given it at the Paris Summit. It will also assist with the setting-up of the stabilization fund for Poland.

As part of its own plan of action, it will continue to provide food supplies to Poland in collaboration with the Polish authorities and, with the ECU 300 million of budgetary appropriations allocated for the purpose, will implement the restructuring programme for Poland and Hungary in the priority sectors such as agriculture, training, environment and investment. It will also set up a system of guarantees for the three-year programme of EIB loans to the two countries. Within the Community framework, the Commission will play an active part in organizing the grant of a medium-term loan to Hungary, in establishing a European foundation for occupational training, and in developing training and education programmes for young students.

Again in its role of coordinator, it will be helping to set up a European Reconstruction and Development Bank.

51. Appropriate initiatives will be taken in response to requests from the other Central and Eastern European countries as they proceed with the necessary political and economic reforms. The Commission will pay particular attention to developments in the German Democratic Republic.

The Commission will take steps to implement new agreements with the GDR, Bulgaria and Romania and to renegotiate the agreement with

Czechoslovakia signed in 1988 in order *inter alia* to include a section on economic cooperation.

Cooperation with the EFTA countries

52. In the coming months, following its exploratory talks with the member countries of the European Free Trade Association, the Commission will propose the negotiation of a cooperation agreement to establish stronger and more structured relations between the Community and the countries in question. The aim is to achieve the highest possible degree of free movement for goods, services, capital and persons. Closer cooperation should also be possible on aspects other than the single market and the appropriate institutional provisions should be formulated, on the understanding that each of the two parties to the agreement will preserve its own power of decision.

Cooperation with the non-member countries of the Mediterranean

53. Geographical proximity, the intensity of trade links between the Community and the Mediterranean countries and the disparities which separate them all militate in favour of an updated Mediterranean policy. The Commission will make proposals to step up the Community's contribution to the development of the Mediterranean area, taking account of its special situation. In the strategy to be implemented special attention will be paid to the need to increase the volume of outside investment in certain sectors, including self-sufficiency in food, the development of small businesses and financial institutions, the environment (Medspa programme), the development of human resources, and support for regional integration.

Cooperation with the ACP countries

54. Signed on 15 December 1989 with 66 African, Caribbean and Pacific countries, the fourth Lomé Convention, heralded as the convention for efficiency and effectiveness, represents the consolidation, improvement and strengthening of a cooperation contract founded on solidarity and mutual interest. 1990 will be an important phase in its implementation. Firstly because, in the run-up to ratification, the Community aid will have to be programmed. Secondly because the Commission will be fully involved in the structural adjustment process being embarked upon by a growing number of ACP countries. This it will do with European

Development Fund resources created for the purpose, using a specific, more pragmatic and realistic approach better tailored to individual needs. The Commission will have to make the reform process not only economically viable but also politically and socially acceptable.

Cooperation with Asia and Latin America

55. After examining the report on 13 years of cooperation with the countries of Asia and Latin America, the Commission will be proposing guidelines for future cooperation. Its proposals will cover both the more traditional forms of aid (humanitarian aid, food aid, financial and technical cooperation) and economic cooperation. Efforts to achieve regional integration must also be encouraged.

General aspects of relations with the developing countries (North-South relations)

56. The Community must play an effective role in relations with the southern hemisphere by improving market access and increasing economic cooperation in all its forms. The Commission will be proposing new generalized preferences schemes for the 1990s.

The Commission will ensure that the Twelve and the Community adopt consistent positions within the framework of the United Nations and contribute to the successful conclusion of proceedings through real progress on the issues under debate (new Development Decade, renewal of the New Special Group for Actions 1981 to 1990, aid to the least-developed countries, etc.). Other aspects of North-South cooperation are also affected by Community policies. For example, the Commission will pay particular attention to the environmental aspects of its cooperation programmes. It will also be implementing a new programme for the protection of tropical rain forests with the eight Amazon countries and a strengthened ecology plan for the developing countries.

57. As regards agreements concerning specific products, negotiations for renewing the international agreements on coffee and cocoa are deadlocked. The Commission will take steps to ensure that the Community helps the parties concerned to find solutions which will be fair to the producer countries.

58. In the fight against drugs any action taken by the Member States at national level or in

the form of assistance to non-member countries should be backed by Community action. The Commission will look into the benefits of a Community-level contribution to the various drug control schemes and make proposals where appropriate.

Europe as partner

59. After four years of negotiations, this year will see the end of the eighth round of multilateral trade negotiations under GATT (Uruguay Round), with the meeting of Trade Ministers from the participating countries due to be held in Brussels in December. In these negotiations, the Commission will continue to press primarily for an overall result which will be satisfactory for the Community, in particular a real opening-up of the markets of the hundred or so participating countries, especially the more advanced developing countries. As far as agriculture is concerned, the Commission will defend its strategy of seeking improved balance on the world markets, respecting the undertakings which have been made at international level to reduce the overall level of subsidies, while insisting on the need to rebalance external protection. At the same time, it will attempt to strengthen the GATT multilateral trading system by reforming discipline in connection with the safeguard

clause, the settlement of disputes and the derogations applicable in the case of balance-of-payments difficulties. Lastly, in line with the logic of the Community's internal process, the Commission will seek to ensure that areas of economic activity which have until now more or less escaped regulation at international level, such as aspects of intellectual property rights, are made subject to multilateral discipline by the conclusion of multilateral agreements within the framework of the GATT system.

60. The commercial policy must be completed in areas where there are still differences between the Member States, with priority being given to measures which could affect completion of the single market. The Commission will continue its work on broadening the Community's external policy in sectors where, to date, the single market has not been achieved. In particular, the activities begun in the service sectors should be continued, notably in the case of financial services, transport and telecommunications and the other unregulated sectors.

61. The Commission will be vigilant in ensuring that the Community's external powers are not undermined. Whenever the interests of the Twelve and of the Community indicate a need for cohesion, it is vital for participation by the Community in its own right to be strengthened in all the relevant forums.

Growing role of the Community in the world

Europe as partner

- Uruguay Round: continuation of the GATT multilateral trade negotiations (market access, agriculture, GATT rules and disciplines; institutional questions, intellectual property, investment, services) and conclusion of the negotiations in Brussels in December
- Commercial policy: definition of guidelines for the external aspects of Community steel policy; continuation of efforts to achieve greater cooperation in the shipbuilding sector with a view to returning to normal international market conditions (Japan, South Korea, Finland, United States)
- Environment: participation in international forums involving the environment (Economic Summit, UNEP, CSCE, ECE, OECD, Bergen, third conference on the protection of the North Sea) and in international negotiations and action on specific issues (Lomé Convention, framework convention on climatic change, framework convention on impact assessment, international convention on oil pollution, Basle Convention on the Control of Transboundary Movements of Hazardous Wastes); strengthening of links with the EFTA countries (ministerial meeting); development of contacts with the countries of Central and Eastern Europe (Phare);
- Research and technological development: continuation of European scientific and technical cooperation (COST); implementation of scientific and technical cooperation agreements with the member countries of EFTA, the countries of Asia and Latin America, and the Mediterranean countries and with the industrialized nations (USA, Canada, etc.); global communication

- Transport:** continuation of the negotiations with Austria, Switzerland and Yugoslavia on road transit traffic; proposals for negotiating directives with non-member countries on access to road and inland waterway passenger and goods transport services; consultations, negotiations and possibly proposals concerning access to the shipping market in the context of bilateral relations (West Africa, East and Central Africa, Algeria, Morocco, USSR, Japan, USA) and multilateral relations (OECD, Unctad, UN Code of Conduct); definition of the external aspects of the common air transport policy and setting up of associated arrangements
- Energy:** contacts with and participation in international proceedings at bilateral and multilateral level (USA, IEA, OPEC)

Cooperation with the EFTA countries

- Negotiations with a view to an agreement establishing stronger and more structured relations with the EFTA countries

Cooperation with the countries of Central and Eastern Europe

- Coordination of economic assistance for the countries of Central and Eastern Europe (Poland and Hungary: follow-up to the decision at the Paris Summit; other countries)
- Participation in the stabilization fund for Poland
- Grant of a Community loan to Hungary
- Setting-up of a European Reconstruction and Development Bank
- Establishment of a European foundation for vocational training
- Participation of young people in training and education programmes
- GDR: negotiation of a trade and cooperation agreement
- Bulgaria: negotiation of a trade and cooperation agreement
- Czechoslovakia: proposal for negotiating directives for a trade and cooperation agreement
- Romania: proposal for negotiating directives for a trade and cooperation agreement
- Collaboration and information exchange initiatives in the fields of science and health

Cooperation with the non-member countries of the Mediterranean

- Implementation of an updated Mediterranean policy: Commission proposals
- Preparation of and proposal for negotiating directives for updating the five-year financial protocols in force with the Southern Mediterranean countries
- Yugoslavia: upgrading of the trade provisions of the agreement in force and proposal for negotiating directives for a third financial protocol
- Turkey: deepening of the Association Agreement

Cooperation with the ACP countries

- New EEC-ACP Lomé Convention:
 - Proposal on EDF internal agreement and financial regulation

- Proposal for a decision concerning the ODs/OCTs
- Stabilization of export earnings: report to the Council on the application of Stabex in 1989
- Non-governmental organizations: report to the Council on cooperation with European NGOs (1989)

Cooperation with Asia and Latin America

- Asia and Latin America: new guidelines for a Community cooperation policy for the 1990s
- Central America: implementation of a Community programme to create a regional payments system to assist recovery and the development of trade between the five countries of the region and between the region and the rest of the world
- Argentina: negotiation of an economic cooperation agreement
- Proposal for negotiating directives for economic cooperation agreements with Chile and Paraguay, depending on progress towards democratization

General aspects of relations with the developing countries (North-South relations)

- Generalized system of preferences (GSP): proposal for new schemes for 1991 to 2000 (agricultural products, textiles, industrial products and ECSC)
- FAO: proposal on Community status
- Continuation of the programme of aid to non-member countries as part of the campaign against drug abuse
- Countries of the Gulf: negotiation of a free-trade agreement
- Follow-up to the Euro-Arab Summit
- Negotiations on the coffee and cocoa agreements
- Common Fund for commodities: proposal on Community participation
- Food aid: proposal to amend the framework Regulation on food aid and a review of the regulations in force (triangular operations, mobilization)

IV — Making the Community a reality

62. The effort to make people throughout Europe more aware of belonging to a single Community must be pursued. Establishment of a frontier-free area constitutes a tangible sign of this shared identity. However, making a people's Europe a practical reality hinges on the whole range of negotiations now under way towards this common goal.

Audiovisual sector

63. The organization of the European audiovisual sector, from both the technical and cultural viewpoints, will be considered in a communication which the Commission will be presenting on a comprehensive Community audiovisual policy.

64. With the single market in view, the Commission will also be presenting a number of proposals, in particular on copyright, to prepare the ground for implementation of the 'Television without frontiers' Directive. At the same time it will draw up an aid code and produce guidelines for the application of Articles 85 and 86 of the Treaty.

65. In line with the strategy approved by the Council in April last year, the Commission will be proposing an action plan for the progressive introduction of HDTV services. The European Economic Interest Grouping is shortly due to be set up officially.

66. The Commission will propose moving ahead to the main phase of the Media programme in view of the positive results from the pilot phase and in the light of the guidelines adopted by the Strasbourg European Council. It will also keep a close watch on the new prospects opened up by the launch of Audiovisual Eureka. As and when its operational structures and procedures are established, Community participation in the new projects will provide additional scope for action on a broader European front.

Education and youth

67. Geographic and vocational mobility is a prerequisite both for a dynamic European economy and for the advent of the single market.

The Commission will explore ways of boosting youth exchanges. The current intra-Community exchange and mobility programmes enter a new phase this year with the launch of Comett II (universities and industry), Erasmus II (student mobility) and Lingua (language teaching). And much of this will now be on a wider European scale with the extension of the Comett and Erasmus programmes to young people in the EFTA countries and the participation of young people from Poland and Hungary in a number of education and training programmes.

Small businesses and cooperatives

68. The single market offers unprecedented enterprise opportunities. But if small businesses and cooperatives are to benefit, they must be freed of the legal and administrative constraints currently imposed on them and be given greater access to information. The Commission will look more carefully at the potential impact of proposed legislation, particularly in key fields.

There will also be a number of measures to promote the development of small businesses and to help them share in the Community's general economic growth.

69. The distributive trades also merit attention. Their economic role and importance for completion of the single market are two reasons for studying possible forms of consultation and support. The Commission will make known its views on various issues, including transparency of information, cooperation with business organizations, interaction with the environment and consumer protection, and, if appropriate, will propose an action programme.

70. 1990 is European Tourism Year (ETY) and various events and programmes are due to be organized in all the Member States (cultural-heritage trails, competitions, co-funding of pan-European projects, etc.). The objective is to make people aware of the integrating force of tourism and its contribution towards regional economic and social development. The experience gained during the Year will help make it possible to pinpoint requirements and formulate practical action for the future.

Consumer policy

71. Protection and promotion of the interests of European consumers must be improved. Encouraged by the Council resolution of last November, the Commission will draw up

schemes aimed at boosting consumer confidence by providing fuller, more effective and systematic information, by increasing market transparency, and by improving the safety of consumer products and services circulating in the single market. The setting-up of the new Consumers' Consultative Council will make it possible to step up consultation and constructive dialogue with consumer organizations.

Citizens' rights

72. The Commission will take action during the year with a view to the Community becoming a party to the Strasbourg Convention on Human Rights, thereby guaranteeing enhanced protection for citizens' rights in respect of Community acts, in keeping with the principle of subsidiarity.

73. The Community dimension on the economic and social fronts will help create a common sense of belonging, which must be fostered, particularly through information and education. In this context the right to legal action remains a priority objective and the Commission, quite apart from measures already in hand, will launch the Jean Monnet project on European integration in university studies. This project, encouraged by the European University Institute, involves the establishment of European

chairs of law. The Commission will also be seeking solutions to problems arising from the increased mobility of Europeans, for example in the area of law with respect to family rights.

Social solidarity

74. The number of disabled persons is increasing and their occupational integration into a normal working environment is now a priority. Development of the Handynet information system on technical aids is of considerable importance both operationally and in terms of free competition between the products concerned on the European market. There is also a need for further action to improve equality of opportunity for the disabled. With this in view, the Commission will be drawing up proposals, some of them involving legislation.

Health

75. The Commission will build on the many results of European Cancer Information Year, which has just ended, to launch a new action plan for 1990 to 1994. Education schemes will be continued and scientific research increased. At the same time new anti-smoking proposals will be drafted to supplement existing legislation.

Making the Community a reality

Audiovisual sector

- Communication on a comprehensive Community audiovisual policy

High-definition television

- Proposal for a plan of action for the introduction of HDTV services

Programme industries

- Proposal to move to the main phase of the Media programme
- Participation in Audiovisual Eureka

Rules of the game

- Copyright: proposals for Directives on:
 - * The renting and/or lending out of protected works

- Neighbouring rights of performers, producers and broadcasting organizations in relation to reproduction
- Competition:
 - Preparation of an aid code
 - Guidelines for the application of Articles 85 and 86

Culture

- Communication on cultural training

Small businesses and cooperatives

- Proposals on access by small businesses to risk capital; mutual guarantee arrangements
- Communication on improved access for small businesses to public contracts
- Proposal for the setting-up of a post-experimental BC-Net network
- Evaluation of the 1992 small business management project and possibly communication on extending it
- Interpretative communication on Article 58 of the EEC Treaty (right of establishment and cooperatives)

Consumer policy

- * Proposal for a Directive on unfair clauses in contracts
- * Proposal for a Directive on comparative advertising (amendment of Directive 84/540/EEC)
- * Proposal for a Directive on distance-selling
- Community action on improving information on the implications of the internal market for consumers (cross-frontier information)

Citizens' rights

- Immigration: in-depth study of immigration measures and practices following the Strasbourg European Council
- Right of association
- Proposal for accession by the Community to the European Convention on Human Rights
- Jean Monnet project on European integration in university studies
- Formation and operation of an interactive European network (Symbiosis) linking European associations, local groupings and other networks involved in European integration

Education and youth

- Proposal to extend the Youth for Europe programme

Social solidarity

- Communication on the elderly
- Proposal for a Directive on transport for workers with a mobility problem

Civil protection

- Development of cooperation in the field of civil protection

Health

- Second Europe against Cancer action plan (1990-94)
- Proposal for a Directive on the labelling of tobacco products other than cigarettes
- Action plan for the prevention and control of AIDS
- Prevention of drug abuse, and treatment and reintegration of drug addicts

Main proposals pending

Implementing the Single Act

Completing the internal market

Removal of physical frontiers

- SYN 98 Control of the acquisition and possession of weapons (I)
- SYN 205 Abolishing lodgement of the transit advice note on crossing internal Community frontiers (III)
- SYN 181 Statistics on trade in goods between Member States (I)

Removal of technical frontiers

- Freedom for non-resident carriers to operate road haulage services within a Member State
- SYN 174 Metrology: certification (III)
- SYN 174 Non-automatic weighing instruments (III)
- SYN 175 Mobile machinery (I)
- SYN 178 Gas appliances (III)
- SYN 173 Active implantable electromedical equipment (III)
- SYN 229 Free movement of medicinal products for human use (wholesale distribution)
- SYN 230 Conditions for release of medicinal products for human use (classification scheme)
- SYN 231 Information for patients on medicinal products for human use (labelling)
- SYN 189 Veterinary medicinal products (I)
- SYN 208 Standards and certification (assessment of conformity) (I)
- SYN 153 Opening up public procurement in the water, energy, transport and telecommunications sectors (II)
- SYN 206 Transit of gas within the Community (I)
- SYN 207 Transit of electricity within the Community (I)
- SYN 199 Right of residence for students (II)
- SYN 200 Right of residence for pensioners (II)
- Right of residence for others who have ceased work
- SYN 46 Reorganization and winding-up of credit institutions (II)
- SYN 180 Guarantees issued by credit institutions or insurance undertakings (I)
- SYN 191 Particulars to be published for the admission of securities to official stock exchange listing (III)
- SYN 176 Securities: investment services (II)
- SYN 177 Second coordinating Directive on the effective exercise of freedom to provide services in life assurance (I)

Key to stage reached by proposal

I : Proposal awaiting first reading by Parliament

II : Proposal awaiting the Council's common position following first reading by Parliament

III: Proposal awaiting second reading by Parliament following receipt of the Council's common position

IV: Proposal nearing end of procedure following second reading by Parliament

- SYN 165 Effective exercise of freedom to provide services in compulsory car insurance (III)
- SYN 179 Third Directive on compulsory car insurance (I)
- SYN 78 Annual accounts and consolidated accounts of insurance undertakings (II)
- SYN 218 European company statute (I)
- SYN 219 European company statute (participation) (I)
- SYN 3 Fifth Directive on the structure of public limited companies (II)
- SYN 38 Mergers and divisions (I)
- Parent companies and subsidiaries
- Procedural rules on arbitration
- SYN 55 Annual accounts and consolidated accounts of companies (II)
- SYN 186 Takeover bids (13th Directive) (I)
- Trade Mark Office
- SYN 159 Protection of biotechnological inventions (I)
- SYN 183 Protection of computer programs (software) (I)

Removal of tax frontiers

- SYN 205 Increase in tax-free allowances for travellers (III)
- VAT on second-hand goods (seventh Directive)
- Abolition of transit advice note
- Approximation of rates of excise duty on mineral oils
- Approximation of rates of excise duty on alcoholic beverages

Transport

- Community transport infrastructure projects

Inland transport

Rail

- Financial relations between rail undertakings and Member States
- Public service operating conditions
- Opening-up of national networks
- Encouragement of combined transport

Road

- Increase in the Community quota for the carriage of goods between Member States (1990-92)
- Length of road trains
- Rules on passenger transport and cabotage within the Community
- Taxation of commercial vehicles
- Improvement of social security arrangements

Road safety

- Driving licence
- Use of safety belts

- Blood alcohol levels
- Speed limits (HGVs and buses)

Inland waterways

- Cabotage

Air transport

- Opening up the Community air transport market (second package of measures)
- Mutual recognition of licences and validation procedures
- Air traffic control:
 - Setting up an integrated air traffic control centre
 - Strengthening Eurocontrol

Maritime transport

- Introduction of a Community register
- Common definition of Community shipowner
- Ship inspection arrangements
- Cabotage

Energy

- Promotion of energy technologies for Europe (Thermie)
- Gas and electricity price transparency
- Investment projects of Community interest (oil, gas, electricity)

Telecommunications

- SYN 204 Mutual recognition of type approval for telecommunications terminal equipment (I)
- SYN 193 Pan-European public radio paging (II)

Social dimension

- Force programme for the development of continuing vocational training (1990-93)
- Reversal of the burden of proof in the area of equal pay and equal treatment
- SYN 209 Second general system for the recognition of professional training and qualifications (I)
- SYN 185 Free movement of employed persons (amendment of Regulation 1612/68) (I)
- SYN 185 Free movement of employed persons (amendment of Directive 360/68) (I)
- SYN 128 Minimum safety requirements for handling heavy loads (III)
- SYN 127 Minimum safety requirements for work with visual display units (III)
- SYN 110 Protection of workers from the risks of exposure to carcinogens (III)
- SYN 129 Protection from the risks of exposure to biological agents (II)

Research and technological development

- SYN 146 R&TD programme on human genome analysis (1990-91) (III)
- SYN 152 R&TD programme on the competitiveness of agriculture (1989-93) (III)
- SYN 226 R&TD programme in the field of transport (Euret) (1990-93) (I)
- SYN 211 to SYN 215 Cooperation agreements with Sweden, Switzerland, Austria, Finland and Norway with a view to their participation in the Science (III) and Medical and health research (III) programmes

Environment

- Clean cars: small engines
- Clean cars: medium and large engines
- Medspa programme (protection of the environment in the Mediterranean)
- Revision of Regulation 3322/88 on CFCs (ozone layer)
- Access to environmental information
- Protection of water against pollution by nitrates (II)
- Treatment of waste water (I)
- SYN 170 Use and disposal of spent batteries containing dangerous substances (II)
- SYN 131 Contained use (I) and deliberate release (III) of genetically modified micro-organisms
- SYN 161 Disposal of polychlorinated biphenyls and triphenyls (PCBs and PCTs) (I)
- SYN 145 Transfrontier shipments of hazardous wastes (II)
- SYN 217 Civil liability of operators for damage and injury caused by waste (I)
- Protection of natural and semi-natural habitats

Economic and monetary union

- Multilateral surveillance of convergence
- Cooperation between the Central Banks

Making the Community a reality

Citizens' rights

- Voting rights in local elections

Culture

- Free movement of works of art

Business

- SYN 158 Annual accounts and consolidated accounts of small businesses (II)

Consumer policy

- SYN 192 General product safety (I)
- SYN 155 Labelling of foodstuffs (nutritional information) (III)
- SYN 122 Package travel (III)
- SYN 132 Consumer-credit rate of charge (IV)

Social solidarity

- Action programme for the most deprived

Health

- SYN 194 Anti-smoking measures (I)
- SYN 117 Reduction of tar yield of cigarettes (III)
- SYN 194 Tobacco advertising in the press and by means of bills and posters (I)
- Moistened tobacco
- Further development of the Handynet system (technical aids for the disabled)

List of abbreviations

ACP	African, Caribbean and Pacific countries party to the Lomé Convention
Altener	Programme for the development of alternative energies
BC-Net	Business Cooperation Network
Cites	Convention on International Trade in Endangered Species of Wild Flora and Fauna
Comett	Community programme in education and training for technology
COST	European cooperation on scientific and technical research
CSCE	Conference on Security and Cooperation in Europe
ECE	Economic Commission for Europe
EDF	European Development Fund
EEIG	European Economic Interest Grouping
EFTA	European Free Trade Association
EMU	Economic and monetary union
Envireg	Programme of regional environmental measures
Erasmus	European Community action scheme for the mobility of university students
ETY	European Tourism Year
Eureka	Community research programmes
Euret	European research for transport
Eurotecnet	Community-wide network of demonstration projects in the field of new information technologies and vocational training
FAO	Food and Agriculture Organization of the United Nations
Force	Community action programme for the development of continuing vocational training
GATT	General Agreement on Tariffs and Trade
GSP	Generalized system of preferences
Handynet	European Community computerized information system on disability questions
HDTV	High-definition television
IEA	International Energy Agency
Lingua	Programme to promote training in foreign languages in the European Community
Media	Measures to encourage the development of the audiovisual industry
Medspa	Strategy and plan of action for the protection of the environment in the Mediterranean
NGO	Non-governmental organization
OCTs/ODs	Overseas countries and territories/Overseas departments
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
Petra	Action programme for the training and preparation of young people for adult and working life
Phare	Poland and Hungary: aid for economic restructuring
Rechar	Programme to assist the conversion of coalmining areas
SAVE	Special action programme for vigorous energy efficiency
Stabex	System for the stabilization of ACP and OCT export earnings
Stride	Science and technology for regional innovation and development

Tedis	Trade electronic data interchange system
Thermie	Programme for the promotion of energy technology
Unctad	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme

The President's reply to
Members' questions

Mr Jacques Delors,
President of the Commission

I

Mr President, ladies and gentlemen,

Last month, as is customary, we presented our programme for 1990 and then, in an address, set out our thoughts on where the Community stands. If I were not afraid of sounding pretentious, I would call it a 'state of the Union' address, laced with some speculation about the future, designed to fuel debate in this House. Subsequent speeches from the floor made it quite clear, first of all, that you had been hoping for a more political document. I can promise you that the programme for 1991 will be more in line with your wishes. But that said, you all know that the Commission takes advantage of this annual event to encourage a more general discussion of Community issues.

Secondly, what you had to say showed that you are extremely concerned about the workings of the 'institutional triangle', in other words, relations between the Council, Parliament and the Commission. And since your relations with the Commission are regular and sustained, you laid the emphasis, not unnaturally, on relations with us. I will come back to this later. Meanwhile may I thank the enlarged Bureau for inviting me to a discussion which enabled us to clarify our points of view. I will also have something to say later about the social dimension, for I understand that it was central to your debates. Mr Bangemann, whose portfolio includes relations with Parliament, will be taking up the suggestions made by your political groups and committees on the actual content of the programme. And, no doubt, in the debate that follows you will have more to say about the broader issues raised in the January address. Let me summarize them for you: change in Europe is presenting a challenge to the Community; the Community must nevertheless shoulder all its international responsibilities; this raises the problem of the Community's political and institutional future. If you do return to these issues, the Commission will continue the dialogue with you in replying to the debate. For the moment, however, I propose to concentrate on two points: Commission-Parliament relations, and the social dimension.

The Commission has had two discussions on relations with this House: the first after your January debate, the second after the meeting with the enlarged Bureau. It then took what amounted to seven decisions which it believes will help to improve relations between Parliament and the Commission. And we know from the past that good relations between our institutions allow the Community to make progress.

First, the Commission will make a point of reminding the Council that it must not reach political agreement on its proposals, whether they are subject to the cooperation procedure or not, until Parliament has given its opinion. It will ask that discussions be wound up as soon as Ministers have had a reasonable time to consider Parliament's opinion. Moreover, the Council or the Commission can always request an urgent debate in Parliament.

However, if a congenial interinstitutional atmosphere is to be restored, the Commission would draw Parliament's attention to the importance—particularly for proposals linked to the single market—of delivering its opinions more rapidly and avoiding the unfortunate delays which have occurred in some instances in the past. I am heartened in this respect by the way we worked together on amendments to the 1964 and 1974 Directives, as a preliminary to the first stage of economic and monetary union. Thanks to the rapporteurs, Mr Cox and Mr Donnelly, to Mr Beumer, Chairman of the Committee on Economic and Monetary Affairs and Industrial Policy, and to certain group chairmen, including Mr Jean-Pierre Cot, we managed to find common ground. I hope that we can continue working along the same lines for subsequent stages. And as regards amendment No 3 to Mr Donnelly's report, a point Parliament set great store by, let me assure you that the Commission agrees that, whatever the powers and responsibilities of the institutions of economic and monetary union, each institution must contribute in its own way to the attainment of the Community's economic objectives, including non-inflationary growth, a high level of employment and external equilibrium. This was, I gather, one of your main concerns.

Second, the Commission undertakes to pay particular attention to amendments adopted by Parliament on second reading which it does not intend to include in its re-examined proposal. If Parliament so wishes, a Member of the Commission will explain the reasons for rejection to the next meeting of the appropriate committee.

Third, the Commission will brief the appropriate committee on the main guidelines emerging

from the Council's discussions, especially when these diverge from the Commission's initial proposal.

Fourth, the Commission will ask the Council to abide by the principles laid down by the Court of Justice for reconsultation of Parliament in the event of substantial amendment of a Commission proposal. The Commission, as custodian of the Treaties, considers that it is duty bound to seek annulment by the Court of any Council act where the obligation to reconsult Parliament has not been met.

Fifth, the Commission is not prepared, in the interests of preserving the interinstitutional balance, to give an undertaking to withdraw its proposals systematically if Parliament rejects a common position under the cooperation procedure or if the Council adopts a proposal without incorporating all or some of the amendments adopted by Parliament on second reading. On the other hand, the Commission will continue to withdraw its proposals if they are watered down by the Council.

Sixth, the Commission appreciates that the conditions for Parliament's participation in procedures for the negotiation of international agreements must be improved and strengthened. To this end, the Commission will support Parliament's ideas on implementing the provisions of Rule 34 of its Rules of Procedure in line with the Treaties. To avoid any ambiguity, let me repeat 'in line with the Treaties'. Rule 34, as I recall, deals with 'significant' international agreements.

The Commission is also prepared to resort more frequently to the practice of including MEPs as observers in Community delegations for the negotiation of major agreements. The details will have to be worked out in due course.

But it is already clear that MEPs will not be allowed to attend negotiating sessions, where the Commission, not governments, has sole competence to represent the Community.

Seventh, the Commission cannot pre-negotiate legal bases with Parliament or with the Council in exercising its right of initiative. Indeed, no institution has any discretion in the matter. The choice of legal basis is dictated by the purpose and the substance of the act to be adopted. It is determined by objective criteria, monitored by the Court of Justice, which would undoubtedly take a poor view of a legal basis chosen following political negotiations. The Commission recognizes that the Treaties as interpreted by

the Court of Justice do not, unfortunately, allow Parliament to challenge the legal basis of a Council act. This being so, the choice made by the Commission is of crucial importance to Parliament, since it largely dictates the scope of the cooperation procedure. The Commission is therefore willing to step up informal contacts between its departments and those of Parliament and the Council—it is thinking in particular of the three Legal Services—with a view to in-depth discussions, particularly if the Commission is about to launch an initiative in a new area.

As to the scope of two provisions dear to Parliament — I am referring of course to Articles 100a and 118a — let me say that the Commission has always advocated a dynamic interpretation. But you will appreciate that there are limits to both Articles which can only be changed by revision of the Treaties. Nothing will be achieved by overstretching their application; this would probably result in condemnation by the Court of Justice and, in the short term, reduce their practical scope.

These then are the ideas I wanted to put to you. I trust that they did not prove too complicated for a plenary session. Which brings me, in conclusion, to the distinction between the day-to-day democratic deficit, to echo Mr Jean-Pierre Cot, and the institutional democratic deficit.

On the day-to-day deficit, I trust that the code of conduct I have outlined will produce progress which is satisfactory all round. In any event, this House can always alert the Commission — or its President if you like — and arrange an evaluation meeting with the enlarged Bureau. None of this is in dispute. Nor is the fact — underlined by group chairmen at the meeting of the enlarged Bureau — that we must respect the powers and responsibilities of each institution as defined by the Treaties. As for the institutional democratic deficit so often referred to in debates, there is a link here with the ideas I put to you in January with an eye to the discussions you will be having on amendments to the Treaties.

I would like now, if I may, to turn to the social dimension. It is central to our discussions and a matter of considerable concern to you. I would remind you that, since the Single Act, the European dynamic has enabled us to make considerable progress, especially in the fight against unemployment, though I readily admit that much remains to be done. Our point of departure is Article 2 of the Treaty, which requires the Community to 'promote ... a harmonious development of economic activities, a continuous and balanced expansion, an increase in stab-

ility, an accelerated raising of the standard of living and closer relations between the States belonging to it'. This is the charter that guides us.

The Single Act and the creation of a single market have provided us with much of the resources we need to pursue this basic objective, raising living standards and the quality of life of the people of Europe. I need hardly remind you, ladies and gentlemen, that Europe has become a zone of prosperity which accounts for nearly one quarter of the world's gross domestic product, worth some ECU 4 400 billion, as compared to ECU 4 800 billion for the United States and ECU 2 600 billion for Japan. You are no doubt aware that in 1989 gross domestic product rose by 3.5% as against 2.6% between 1985 and 1987 and 1.6% between 1982 and 1984, and that job-creating investment, the engine of growth, increased by 7% in 1989, in other words twice as much as in the period from 1985 to 1987. The European dynamic is based on a more competitive economy. Unit labour costs, for example, have been falling appreciably since 1982, thanks mainly to substantial gains in productivity, and this goes a long way towards explaining the numbers of new jobs created. Between 1980 and 1989, labour costs improved in comparison with the United States and even with Japan.

Secondly, the European dynamic makes for better controlled, more stable growth. Sustained, comparatively healthy growth creates further opportunities for job creation. In all, 5.3 million jobs will be created in the Community between 1988 and 1990, whereas nearly 2 million were lost between 1982 and 1984. Forgive me for bombarding you with figures, but we need to make the point that progress has been made thanks to the fresh boost given to European integration.

There has also been a radical change in the position of women on the labour market, with a general rise in the numbers of working women, owing to the interplay of supply and demand, with new forms of part-time, fixed-term employment. Not all workers are being forced to take on atypical jobs because they cannot find full-time work.

On the subject of women and the labour market, may I digress for a moment to say that the Commission will be submitting a proposal to the Council this year on a third equal opportunities programme. In fact the proposal appears in our programme for 1990. It will be the cornerstone of our work in this area this year. Once it has been adopted by the Council more detailed

measures will feature in our programme for 1991. However, I can tell you here and now that the Commission will be presenting a proposal to the Council in the course of the year for a directive on the protection of pregnant women at work. And I can assure you that the Commission will be mindful of other aspects too, notably the activities of the Iris network in relation to vocational training for women and measures relating to education.

Despite this progress, despite the fact that for the first time in years industry is creating jobs again, serious imbalances remain. This is the social dimension too. Something like 14 million people are still out of work and half of them are classed as long-term unemployed. The under-25s are twice as badly hit as other sections of the population, with an unemployment rate of 17%. To my mind all these problems justify the structural policy priorities endorsed by this House, which are designed to boost measures taken to help the least-privileged: measures to integrate young people into the labour market and help to long-term unemployed. The interplay of the structural Funds will generate increasing solidarity at Community level. Our task will be to stimulate an awareness of the problems faced by young people and the long-term unemployed, to focus our efforts on the least-favoured regions and encourage the dissemination of innovation. As the Council recognized last year, the crucial factor here is training. This is obvious when we look at the bottlenecks on today's labour market and it is equally true of initial and continuing training. But may I remind you that there are limits to what the Community can do at the moment. Appropriations for continuing and adult training in the Community budget represent no more than 5% of total expenditure on this training by the Member States.

We clearly need to redress imbalances on the labour market to help young people and the long-term unemployed. But we also need to tackle imbalances between the regions, where unemployment rates range from 2 to 17%. The Community's new-found dynamism and structural Fund operations are already having some effect, opening up new horizons and pointing to a reduction, admittedly modest, in disparities within the Community. I note, however, that gross domestic product, and indeed per capita GDP, are rising faster in Spain, Portugal and Ireland than elsewhere in the Community, that the growth rate of employment in Spain is markedly higher than the Community average while rates in Portugal and Ireland are close to the Community average. We will do better with the new structural policies for Objectives 1, 2 and

5(b) regions. These policies, which come into effect this year, will be the subject of a preliminary review to be submitted to Parliament at the end of 1992.

Another social objective is to improve working conditions. Steady, substantial progress has been achieved here with your support. Four Directives based on Article 118a, including the framework Directive, were adopted in 1989, following on from the initial 1988 texts, and a common position has been approved for the other three. More needs to be done, however, and this brings me to the Social Charter, which has gone some way to revive the debate on the social dimension.

What is the purpose of the Social Charter? In the first place to prevent social dumping, and in the second place to prevent the erosion of fundamental rights, which are specifically mentioned in the text. Two major considerations prompted our action: the quest for social progress at Community level and — of considerable importance for you — rejection of unfair competition based on practices that amount to social dumping. This is what justifies a dynamic interpretation of Article 118a, and Article 100a too. We need to understand the dynamic of the Single Act. It implies increased competition to stimulate the European economy. But it also implies cooperation between businesses, research cooperation and cooperation on macroeconomic and monetary policies, and the elimination of obstacles to competition and to the free movement of goods, services, capital and, of course, people. However, a market cannot operate without some rules at least — and this is my answer to those in certain Member States who feel that the Community is adopting too much legislation. The fact of the matter is, we must have a modicum of rules on competition and measures to combat unfair competition.

What approach should we now adopt with the Social Charter? In the first place we must be extremely cautious. We must allow for the actual situation in each country, the wide variety of living standards and levels of development, different patterns of employment, labour and social security, different social systems. A recent research paper on the Community's social dimension by Belgian researchers shows that social progress in the individual Community countries is the culmination of 50 to 100 years of effort, struggle and achievement, and that the social systems which have emerged broadly reflect national traditions. It would be difficult, not to say tactless, to attempt to impose uniformity in such areas. Indeed, at the moment, we

are witnessing a number of strikes and industrial disputes which demonstrate that individual countries attach particular importance to social gains which best reflect national traditions.

In the second place, defining rules is not the same thing as regulating down to the last detail. We want to create a social climate based on trust, on effectiveness. We want to break new ground for the two sides of industry. I would like to remind those who are calling for an extensive body of legislation on industrial relations — an issue which the unions are debating among themselves — that in all Community countries the emphasis is on giving the two sides of industry a measure of independence. Why do I say a measure of independence? Simply because the concept is interpreted in different ways in the Federal Republic of Germany, France, Italy, the United Kingdom and elsewhere. But we must allow for this, which is why we are devoting so much effort to the social dialogue at Community level, hard though it may be. And it is hard precisely because of the diversity of organizations and situations.

Thirdly, we want in the process to clarify the Community's functions in the social area — regulation through harmonization, policy convergence, giving a lead. This is what I said just now about our moves to help young people and the long-term unemployed.

These, then, are the lines along which we will be implementing the programme. And I am sure that your debate tomorrow, of which the Commission has high hopes, will make a valuable contribution. I will finish by restating two rules which to my mind are two sides of the same coin. There can be no social progress without a dynamic and competitive economy — and the European economy is dynamic and competitive once again. We must take care, however, that the engine does not run out of steam; for equally there can be no social progress without stable prices, since it is inevitably the poor and the most deprived who are the main victims of inflation. But on the other hand there can be no lasting economic prosperity without satisfactory relations between the two sides of industry, without greater equality of opportunity for each and every European, without individual participation in the common task. The principle is simple and there should be no objections to putting it into practice. If we want our businesses to be competitive and dynamic, everyone involved must have the chance to make their views heard and to be a part of the venture. This, then, is the thinking behind our planned paper on procedures for informing and consult-

ing workers in firms which operate in several Community countries. On that basis, and to avoid debate between us becoming too dogmatic, I would say that the Community faces three main tasks in the future: to generate momentum, to increase cooperation and to promote cohesion. To go further than that would only bear out the fears of an avalanche of legislation and excessive central control. Momentum has been generated and will continue to be generated through the single market, through research programmes, through environment policy, to give only a few examples. Cooperation is epitomized by the crucial stage one of economic and monetary union. I say crucial because if it fails we can abandon all idea of a second, third or fourth stage. And finally, cohesion is

the motivating force behind implementation of the structural policies, and behind the social dimension as well.

It seems to me that in these three principles — momentum, cooperation and cohesion — we have the ammunition to counter criticism on two fronts: criticism from those who think that the Community is not doing enough and criticism from those (and they are many) who are afraid that the Community is becoming too centralized. Working from these principles, we want to think through with you the institutional changes needed in the wake of recent developments to enable the Community to withstand destabilizing forces, to remain a model for economic growth and social progress, and to honour its international commitments.

II

Mr President, ladies and gentlemen,

You will understand, I am sure, that I am unable to refer by name to all who have spoken or to answer all your questions, some of which were very specific. You may rest assured, however, that the Commission has taken note of them and will duly bear them in mind.

Mr Giscard d'Estaing, I will attempt to reply along proportional lines. It is true that the Socialist Group, acting on the principle 'Spare the rod and spoil the child', put forward 10 criticisms. It was only natural that we should reply. And I think it was worthwhile to do so. I will therefore concentrate today on the main points in the knowledge that the House is to debate German reunification tomorrow — an initiative which I applaud.

And so I will turn now to the code of conduct, noting that on the whole you feel it is worth a try. And I would repeat that I have already said to the enlarged Bureau: we are more than willing to evaluate progress in relations between Parliament and the Commission on a regular basis in whatever forum Parliament chooses, be it the enlarged Bureau or elsewhere. We are well aware that our position in the institutional triangle is becoming more and more invidious, torn as we are between concern to implement the Single Act and concern to safeguard Parliament's rights.

We will attempt to strike the right balance this year. And we will do so within the strict confines of the Treaty. But I would like to quote Mr Martin on this: it is essential that we secure for Parliament the fullest possible role within the framework of the Treaty.

I would also like us to have the occasional discussion on strategy rather than your simply recommending that we push proposals as far as possible, or even further. I will give an example of this in a minute. As for the burning questions of the moment, I have chosen three for further comment: the social dimension, environment policy and the financial perspective.

First, the social dimension. I have given you a rundown on what has been done and on the principles guiding us along what is admittedly a middle-of-the-road course that is not to everyone's liking. But we also have to cater for the

concerns of 12 governments, 12 sets of employers' organizations, and trade unions in 12 countries. It is not easy, believe me. But what I cannot understand are the fears or criticisms which stem from confusion between what is happening in the world economy and what we are doing in Europe. Let me put to you the question which I often put in France in the face of veiled attacks on the European venture: if there were no European venture, do you think economic interdependence would not be on the increase? Do you think competition from Japan or the newly industrialized countries would pose no threat? Do you think there would be no need for action in an attempt to prevent our savings being siphoned off elsewhere or to make our industries more competitive? Until I am given proof to the contrary, I will continue to consider the European venture in this respect as a trump card in the hand of the Twelve as they face a world experiencing geo-political and geo-economic change. This throws a new light on things, the social dimension included. The shape of things is clear. Our approach is two-fold: social progress on the one hand and, on the other, a refusal to jettison our gains and achievements or to go along with unfair competition. Hence my reference to Article 100a a little while ago.

And second, environment policy. I would ask some of those who have spoken to consider what has already been done on this front. I do not propose to spell it all out again, or to inflict on you a Jacques Prévert style litany (though without the poetry). Progress has been made. You cannot pretend that nothing had been done, even on CFCs. Think instead about practicability and feasibility. The Community is taking action. But everyone knows that the problem is international. Last year the environment was in fashion and every head of government was getting in on the act. But it is we who have been beavering away, working to find the international forums, the framework to enable us to improve the face of nature, to clean it up, to pass on to future generations an environment capable of survival. I would ask you to cast your minds back to the 1985 Intergovernmental Conference, when the Commission proposed that decisions on the environment be taken by qualified majority. Who was against it? Some of our governments!

This brings me to a first strategic issue to which I would like to draw your attention. Everyone applauded the Commission's idea of a European Environment Agency. And our plan for it was kept simple — to have the best possible scientific assessments and counter-assessments on the state of the environment, on the risks to which

we are exposed. But I have been struck by the fact that, faced with decisions on the environment, politicians often hesitate between the opinion of this or that group of experts. We have had discussions within the Commission on issues, such as tropical forests, on which there would appear to be no element of doubt whatsoever: and yet opinions diverged. We therefore saw the European Environment Agency as a first step. Tomorrow it could easily be an international environment agency providing us with observation posts, bringing together scientists best qualified to speak out on the future of our environment, to make man the protector of nature.

Some of you would go further and make the European Environment Agency a secular arm of control. Is that really a sensible idea? Would it not be better at this stage to draw on first-class scientific expertise, expertise that is not open to question, that can help to spread a sense of respect for nature? Nature abhors being plundered. But it also abhors being ignored (which brings us back to rural development). However, Parliament should be involved in the running of the Agency and some MEPs should sit on the Board. On this point we disagree with the Council and we are continuing to press for Parliament to be represented. Do you really think that the Agency can be made a secular arm of control at this stage? And if so, what about democratic control? Its members will be technocrats, even more so than the Commission. Are we to give them the power of control, the freedom to go as they please? What about the democratic counterbalance, political accountability? To my mind, these are questions that have to be thought about. Sometimes it is better to know where to stop.

I would like now to move on to the financial perspective. You will have plenty of opportunity to discuss our proposal. We have not simply opted for a minimalist approach despite what some of you have said. Nor have we acted out of cowardice. We must first use up the funds we are seeking from the Council. I will quote you some figures shortly on the scale of the aid mustered by the Commission for Poland and Hungary. The strategy we are proposing is simple — a revision of the 1988-92 financial perspective to enable us to do what we have to do. Who can prophesy what will be happening in six or eight months' time? You know only too well that events throughout Eastern Europe obey their own logic! Who can say there will be no further dramas, no further bloodshed?

We are proposing a budgetary adjustment within the financial perspective in the interests

of sound management between now and 1991/92. We are preparing a new 'February 1988' package. What do I mean by that? The Community must provide itself, through its budget, with resources commensurate with its political ambitions. And they must be clearly visible so that the regions in the world which have contact with us are aware of our commitments. Of course, there is more to it than just finance. There is cooperation, aid, technical assistance, exchanges; but finance is important too. We are willing to discuss options, but to be rushed into proposing a new February 1988 package here and now would be counterproductive. And in any case the Council would not go along with it.

Let me come now to one of the issues raised by Mr Giscard d'Estaing: economic and monetary union. Stage one is to go ahead. But it will require a firm political commitment on the part of the 12 governments for there to be further progress. The question is: are the 12 governments and the 12 Finance Ministers ready to agree to the Committee of Governors' becoming the main forum for discussion of monetary policy?

Next: as regards coordination of economic policy, are the 12 governments ready to accept the necessary degree of transparency so that the Council, after a trial period of one or two years, could announce or publish its recommendations on individual countries? Do you realize the extent of the change compared with the kind of coordination provided for by the 1974 Directive? What happens at present? The Finance Ministers discuss matters frankly and seriously among themselves, but discretion is the order of the day and if a report on a country contains anything that might embarrass the government, we are asked to amend it. This is not compatible with economic and monetary union! The importance of stage one cannot be stressed strongly enough. It is true that the report of the group of experts which I chaired did not place sufficient emphasis on the role of the ecu for political reasons of which you are well aware. The question is whether all the Twelve are prepared to accept the ecu gradually taking over as a common (and eventually, perhaps, the only) currency. This is a political issue. To be frank, if I had pressed the matter any further I would not have secured unanimity in the group of experts. But it is my personal view that we must press on further where the ecu is concerned. Obviously, the market situation is not the only factor. The ecu must cease to be a Cinderella. It must be given its rightful place.

I believe that three steps are necessary to strengthen the role of the ecu. First, all obstacles to the use of the ecu must be removed from national legislation. Second — and this is not the same thing — it must be treated in the same way as a national currency in legislation. Third, the Commission must be given scope to develop its role. I must confess that recent experience with the loan to Hungary was disappointing. Unless the ecu is given a boost, it will remain in sixth place in the league as far as loans raised on the capital markets are concerned. And if we want to go even further, the ecu needs some sort of political sponsorship. This is something which I feel is very important for the future. If the recommendations of the group of experts on economic and monetary union are not followed, if, for example, Mr de Larosière's proposals for an embryonic European Monetary Fund are adopted, then the ecu takes on an absolutely vital role — and not only in this scenario. As regards the later stages, Parliament will be fully briefed on our activities.

To spell things out quite clearly, we are working on four aspects.

First, we are studying the benefits and costs of economic and monetary union once the single market is completed, and the potential added advantages. Second, we are looking at alternative proposals such as the paper submitted by the United Kingdom authorities, or the views of other UK economists, who argue that monetary union without economic union would be sufficient, or the idea recently put forward by a former French Finance Minister that it would be enough to create a parallel currency that would eventually lead to a common, but not a single currency. We are examining these three ideas and will make our position known. At first sight, however, we feel that the report of the committee of experts provides a better basis than any of these alternatives. But we have to prove that and the ministers have to discuss it.

Third, we are considering the main options open to us. In political terms, these boil down to how much centralization economic and monetary union would involve in the final stage, how much transfer of sovereignty would be acceptable, particularly as regards budgets and taxation, and how to maintain economic and social cohesion in the final stage of economic and monetary union.

Last, we are working on the democratic and political checks and balances needed to accompany economic and monetary union.

Your Committee on Economic and Monetary Affairs will be kept abreast of developments. If you would like to have contacts with us in a different forum, we are at your disposal, as I was during the months when the committee of experts was meeting.

Let me move on now to matters of current and future concern, and first of all reunification of Germany. At the risk of being blunt, I feel that a straight question deserves a straight answer. We are kept regularly informed of developments by the Federal Government, but we are not consulted.

I took a certain risk — as did the Commission — in saying that Germany was a special case. The Germans understood me, but many criticisms and reservations have been voiced in other quarters — not to mention the deafening silence from some political leaders. The time has come to make up our minds and state our opinions clearly. We are working on this question and will discuss it tomorrow. But, to avoid any misunderstandings, since there have regrettably been some leaks to the press, we will be preparing discussion documents to forward to the Council and this House. We will not express the views of the Commission — something we have no right to do — but will put discussion documents before the two institutions responsible, namely the Council and Parliament, as the situation evolves and once it becomes clear, for example, whether the West German offer of economic and monetary union between the two Germanys is accepted by the East Germans. No matter how we look at it, this is an explosive and delicate issue. You will readily appreciate that there is a big difference between economic and monetary reform in Poland, where most Poles have no choice but to stay in the country, and the same thing in East Germany, where people are free to move to West Germany. This is the crux of the matter and, believe me, the German authorities deserve all our understanding on this difficult issue.

Once economic and monetary union between the two Germanys has been decided and the details become clear, we will immediately begin to look at the implications for the European Monetary System, exchange rates and interest rates. What price will the other countries have to pay? This cannot be a matter for the Germans alone. It has wider implications by virtue of the ties of solidarity which bind us, in the shape of the European Monetary System. This is especially true of interest rates. We will look at the problem immediately, then, and will endeavour to reconcile the process of economic and

monetary union between the two Germanys, should it come about, with the same process in the Community. Chancellor Kohl himself has said that events in Germany must not stand in the way of European economic and monetary union. But it will be the joint task of this House and the Commission to try to reconcile the two.

Finally, my personal wish would be for the Heads of State or Government to tackle the question of German reunification as soon as possible. An informal meeting was already held last November in the Elysée Palace to discuss the situation in Poland and Hungary. I think that it would be useful, a few weeks after the elections in East Germany, for the Heads of State or Government to talk plainly about the issues and future prospects. The Commission cannot be expected to do more than it is already doing. Nor can it mount a coup and usurp the role of the 12 Heads of State or Government. So I would like to say publicly today that I hope an extraordinary meeting will be held in due course to discuss these issues, so that Europe can stay on its feet, so that the people of Europe, you their elected representatives and we in the Commission, know where we stand. Will the Community be relegated to the sidelines or will it continue to act as the focal point, the bonding force, the framework of support needed for a solution to the German problem and, indeed, the problems of Europe in general? That is the question we must address.

This brings me to the political outlook, a matter of the utmost importance. If I have already spoken of it elsewhere — and been criticized for saying that we must speed up the process of European integration — it is because I am haunted by fear as much as I am filled with hope. My hope springs from the spread of freedom; but my fear is that the work of 30 years may be undone or sidelined by historic developments. Some say that the Community's days are numbered because it was a product of the Cold War and because we now need to think in terms of a greater Europe. But this is to ignore the efforts which first six, then nine and later 10 and 12 countries have been making for over 30 years to maintain what might be called a fraternal spirit. The difference between the Community and an intergovernmental organization is that when members of the Community meet they are required to produce results. They know that they must come to an understanding. Besides, as events have shown, it would be a rash man who would take the risk of destroying a unique, a major historical experiment even if — and in this I share your opinion — progress is too slow.

This is why I feel, like Claude Cheysson, that we must think in terms of a political Community. This was not the case a few years ago. The revitalization programme for the Community proposed by the Commission in 1985 was an economic one. It was a response to a simple question: would our economies survive or decline? We found an answer to that question, but the problems facing us today are political. Unless we think in political terms, unless we give our Community an adequate institutional structure, how can we speak of a social dimension? The social dimension is meaningless without this political structure. How can we speak about 'A people's Europe'? Mr Bangemann reports regularly to this House on the work of the Rhodes Group, but we know full well that this Community will only come into being if the political will is there; and if it is not, we will be left with a Community that is unable to respond to events or take initiatives. This is what is at stake. Let me repeat here what I have said before: we have high hopes of the role this House will play in preparing the ground for the intergovernmental conference to be held at the end of December. Personally, I think that December is a bit late given the pace of events. I can assure you, however, that the Commission will participate fully in all Parliament's initiatives — I myself will be giving evidence to the Committee on Institutional Affairs next week.

Tomorrow's institutions cannot be the product of a single mind. They must be based on discussions between representatives of the various countries, who will contribute their experience of politics and in some cases of high political office. There must be an exchange of views and experience. No individual, however gifted, can be given the task of designing our future institutions. Discussion is vital, which is why, in my view, this House has a crucial role to play. It can bring men and women of experience together; it can give them a forum for debate; it can increase awareness; it can involve national parliaments in the tasks that lie ahead. I am expecting a lot — as is the Commission — from the initiatives Parliament may take.

In the meantime we must act, and contrary to what some may say, our action is guided by a certain vision of the future of Europe and the world as a whole. Let's take the agricultural negotiations in GATT as an example. We have gone on the offensive, we have made a proposal and we will stick to it. We believe that European agriculture has a specific role to play and that we cannot sacrifice it without harming the environment, without running the risk of desertification. Another example is relations with

EFTA. We took the initiative last year of establishing closer links with the EFTA countries for political reasons which I do not propose to go into today since time is short.

As for the countries of Central and Eastern Europe, we are in the process of concluding agreements on trade and broader cooperation. We have also proposed association agreements and negotiations with one or two countries will begin before the year is out. Finally, we are working on the future architecture of Europe. In the absence of any evidence to the contrary this will have at its core a more integrated Community of Twelve. I see no reason to abandon construction on one site to start work on a bigger one elsewhere. This is absolutely fundamental and if I spoke just now of a meeting of Heads of State or Government it is because they must solemnly confirm their commitment to European integration, a goal they set themselves in the preamble to the Single European Act. The Community is also involved in developments outside Europe, whether it be in North/South relations, the Lomé Convention or Central America. In doing all this, we have two future objectives in mind: the political union of the

Twelve and the creation of a new structure to allow for political, cultural, economic and social interplay between all the countries of Europe. We have no monopoly in the matter. We are aware of the Council of Europe's role, we are aware of the problems facing NATO and the Warsaw Pact. But we want to break new ground. I believe that the malaise in this House, and in the Community as a whole, can be summed up by a quotation from Simone Veil. She spoke of 'an overwhelming tide of selfishness and suspicion', to which I would add 'and ulterior motives'.

It is essential that we combat this overwhelming tide, the indifference which springs from fear, the attacks on Europe as 'a rich man's club', as if this really were the case, the insidious suggestion that Europe is dominated by a single country, that the other 11 are afraid. These accusations must be refuted and the situation clearly explained. Here as elsewhere, the Commission will not flinch from bold action. Let me remind you of the essential principle that must guide us in the face of rapid change: we must have the courage to take the calculated but reasonable risk of speeding the political integration of Europe.

The Commission's programme for 1990

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