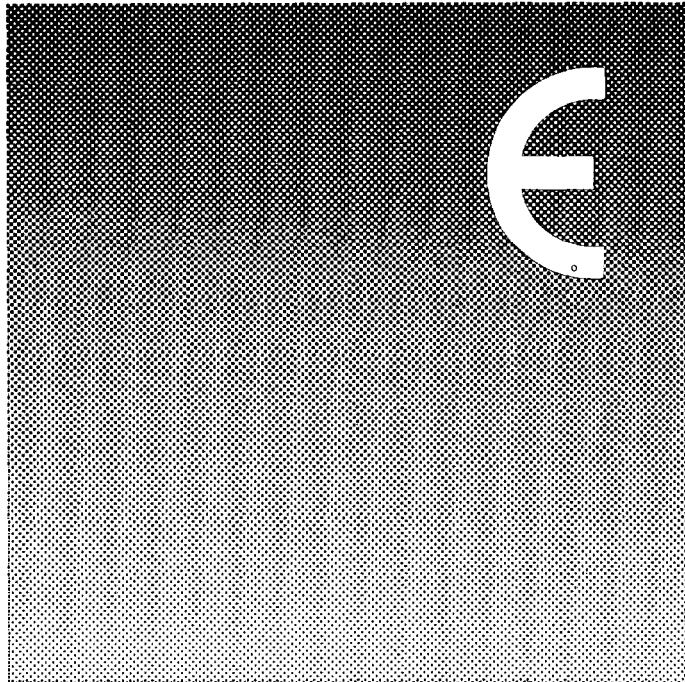


Programme of the Commission for 1983-1984



This booklet contains the address which Mr Gaston Thorn, President of the Commission, delivered to Parliament on 8 February 1983 and also the Commission's outline work programme for 1983-84.

Commission of the European Communities

Programme of the Commission for 1983-84

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**Address by
Mr Gaston Thorn,
President of the Commission
of the European Communities,
to the European Parliament**

Strasbourg, 8 February 1983

*Mr President,
ladies and gentlemen,*

I. When the President of the Commission addresses Parliament in February, he traditionally takes stock of the past year and sets out the Commission's programme, point by point, month by month, for the year ahead. I propose to break with hallowed tradition this year. The parlous economic and social situation, the bleak prospects, the plethora of problems and challenges facing the Community — not least, the situation created when the supplementary and amending budget for 1982 was rejected last December — all compel me to adopt a different approach.

I shall therefore dispense with the time-honoured New Year address. In any case you are all familiar with what the Commission is doing, and those of you who care to question me on any particular point will have a chance to do so during this debate or others this week.

Nor am I going to take you through all the problems considered in the programme of Commission business for 1983.

Instead, my colleagues and I have chosen to focus on what to our mind is the top priority for the Member States and the Community alike: the need, as we see it, for us to improve our performance in the fight against unemployment and industrial decline by exploiting the European dimension, common disciplines and Community solidarity.

We have deliberately chosen this approach, for in the present economic climate, which is causing so much concern to the 270 million Europeans you represent and for whom we are responsible, neither Parliament nor the Commission can afford to devote all its attention to the budget problem — though I will be returning to that in a moment.

There was no economic recovery, no easing of concern, in 1982. Instead a further deepening of the recession and associated unemployment brought the

jobless total to 12 million. This figure is higher than the entire population of several of our Member States. If deterioration continues in 1983 — and it seems inevitable — we will be talking in a year's time of 14 million out of work, and a high proportion of them will be young. Together the unemployed and their families constitute the fifth largest State in the Community. In some families two generations, father and son, are out of work. Added to which investment is declining at a time when more and more investment is urgently needed. Japan and the United States have succeeded in creating far more jobs than us. Real incomes have declined further, world trade has dropped and everywhere prospects for growth in 1983 are poor. We are in danger of being dragged into a spiral of economic decline leading we know not where.

Today 270 million Europeans are looking to the Community for more constructive action. We cannot let them down.

The battle against unemployment and industrial decline is a battle for the future of our nations and the future of the European idea. Our performance to date is disappointing, especially when compared with that of the United States or Japan. Europe's economic growth is far lower, and the Community seems incapable of creating new jobs. Only in Europe is unemployment now rising for the eleventh year running, although not so long ago an economist forecast that we might have to accept 5%, even 10%, unemployment, but never for more than five years.

The pattern of the Community's external trade in manufactured goods shows just how far Europe is lagging behind the Americans and the Japanese in some of tomorrow's industries.

I doubt whether there is a simple explanation for all this. But there is every reason to believe that we are not making full use of the scope offered by the European dimension and Community solidarity, despite the fact that this is one of the keys to success. The Community can still hope to succeed where individual Member States are bound to fail.

Today, to paraphrase President Mitterrand, fate hangs in the balance. It is time to press forward, to decide on a strategy which would allow the Community to beat the crisis, by making its own special contribution and creating a multiplier effect to enhance action by the Member States, and thus hold out new hope for our economic future.

This is what I will attempt to do here today. I will speak plainly, as always. I cannot claim that all the unemployed would find jobs tomorrow if the Commis-

sion's proposals were applied. On the contrary. There is a long, hard journey ahead of us.

The Commission has no intention of rushing headlong into action. It has been aware of the economic and social crisis, and of the limits to what the Community and the Member States can do, for some time. We are not advocating a miracle cure, nor do we propose bowing to the inevitable and accepting our poor performance. In short, we are preaching neither revolution, nor resignation.

The slightest miscalculation could be disastrous at this juncture. We must avoid the waves that could sink us, we must avoid a Community crisis. What I am saying on the Commission's behalf is this: because so much is at stake, the fight against unemployment and industrial decline must be central to our strategy because, given our role and the limited resources we have in comparison with other States, what we are concerned with is strategy. The fight merits top priority, and it will be the acid test of our countries' ability to exploit and develop the Community which is their creation. The survival of the Community as a venture with future potential will depend on its ability to manage the crisis. That is why the Commission is telling this House, and through it the people of Europe, that it is on this ground that the Community must demonstrate that it is capable of getting to grips with a vital priority. Our ambition, — our only possible ambition — is to do just this. It is for each and every one of us to accept the consequences of this choice, which puts the European debate back in the centre of the social and political stage and of the everyday aspirations of our people.

II. Let me begin with the Community's contribution to the fight against unemployment and industrial decline. The Commission has always maintained — you have been hearing this for years now — that if we are to return to growth without fuelling inflation, productive investment must be at the heart of our strategy. If Europe does not obey this fundamental imperative it will never pull out of the economic crisis which is assailing it and rebuild a modern, competitive economy.

Investment is the only lasting solution to the problem of unemployment; investment is the key to technological development; investment is the key to improving the Community's competitiveness and getting industry moving again. So we have three good reasons for making investment the focal point of our efforts in the 1980s.

Our Community has an indispensable role of its own to play here. It alone can offer a continental dimension and a large internal market, a consistent framework, shared disciplines and specific budgetary and financial instruments. This is not a bad start.

The Community's contribution must be based on simultaneous action in five priority areas. First, we must improve the economic and social environment. Then we must complete the single market. We must rebuild Europe's industrial strength. We must reinforce the Community's budgetary and financial instruments. And we must improve the international climate.

Our first objective as far as the economic and social environment is concerned must be a higher degree of convergence between the economic strategies of the Member States. This is not a new objective, but it has been all too rarely attained because of doctrinal differences between the Member States. Yet compatible strategies are essential in present circumstances. The business world needs to be convinced that the Community has at last resolved to overcome the crisis. Otherwise national policies will lack credibility, and they will be doomed to failure.

The degree of economic interdependence between the Member States is now such that no one can harbour any illusions about the chances of isolated national action proving successful. In the annual report recently laid before you, the Commission highlighted the need to work together to exploit the available room for manoeuvre in an attempt to stimulate growth and thereby halt the rise in unemployment.

I am pleased to see that, although the great fight against inflation has not been abandoned, the possibility of more active support for economic activity, albeit in different forms in different countries, is gradually becoming a central theme of the economic debate. The Commission undertakes to translate words into action in 1983, and to convince the European Council of the need to think along the same lines every time it meets this year.

I welcome your decision to set up a working party to examine the causes of unemployment and devise remedies. I fully share your concern; and if you want the Commission's help, you have only to ask.

The second point I would like to make is that better use of public funds is central to the priority task of improving the economic situation. Public expenditure in the Community has reached very high levels, around 50% of GDP.

Attempts to contain it have tended, especially in recent years, to depress investment expenditure, since it is easier to cancel a motorway project than to question the volume and structure of current expenditure. I am not suggesting — who would? — that we go back on social progress. But when we give consumption and certain forms of social protection priority over productive infrastructure, we are pandering to the comfort of the current generation and handing the bill to generations to come. As I see it, our inability to think of the future in our public spending decisions and proceed with vital reforms in the structure of the budget is an alarming manifestation of society's overriding concern to protect and preserve the status quo.

There must be a shift in public expenditure towards investment programmes that make for economic development. The same thinking should guide aids to industry. All too often, as you know, aid is used to preserve outmoded structures, slowing down the process of adaptation that is sorely needed, and undermining efforts to create new jobs.

Need I say that there will be no real revival of private investment if there is no prospect that it will be profitable. Changes in the tax system are needed here.

My third point is that convergence also depends on the European Monetary System. Here we have a framework in which we can display our solidarity and exercise the necessary discipline, and the foundation for a coordinated economic policy. The businessman can look to the EMS for the security and stability that mean so much to him.

Consolidation of the EMS remains one of the Commission's major objectives. The EMS has yielded closer monetary cooperation and greater stability of exchange rates, and this has done much to protect intra-Community trade from upheavals elsewhere.

Consolidation means both conserving what has already been achieved and expanding the system. Full participation by sterling and the drachma would bring the Community closer to attaining what this House knows to be its objective — the establishment of an area of monetary stability in Europe. All those who demand more security and more solidarity would be well advised to bear that in mind.

In March last year the Commission put forward proposals for strengthening the EMS. They concerned improvements to the machinery, achievement of a higher degree of convergence, promotion of the ECU and currency cooperation with non-member countries. This House supported them, and I am very grate-

ful for that, but the Council threw them out. The Commission, I assure you, is sticking to its guns, and still hopes to see its proposals adopted so that progress towards final establishment of the system can be made in 1983. Progress here is essential, and we are asking you to support us. We are mindful of the fact that the intermediate stage cannot be allowed to last too long, for there is a danger that the system will degenerate into an empty ritual — all procedure and no substance. Our immediate objective must be to consolidate what we have already achieved. I have given you an idea of how we can do this.

Incidentally, I am very pleased that one of the measures we recommended in March 1982 — increased private use of the ECU — is beginning to emerge in the form we proposed with your support. The ECU already ranks as the fourth most important currency on the Euro-bond market. The market has thus recognized Europe's monetary identity; it is up to us to formalize it.

In support of this trend, the Commission will soon be putting forward ideas for integrating the European capital market.

Now I come to my fourth area of concern: access to employment, especially for young people; vocational training; and working conditions.

May I say again that investment and growth are essential to a solution of the unemployment problem. But various ancillary measures can and must be taken at the same time. Let me describe three of them. We must begin somewhere, and our priority is therefore the fight against youth unemployment. We must never lose sight of one fundamental consideration. Unemployment is not only a waste of economic resources, though there is that aspect; it is also, and above all, a social problem. How can we come to terms with a society which denies people, especially young people, the dignity of earning their living?

We are all aware that young people are particularly hard hit by unemployment. They must have first claim on our attention, and we must respond by introducing schemes to ease their transition to working life. Our main objective is still to protect at least the 16 to 18-year-olds from the painful experience of unemployment. The Commission has already tried to do something about this in its proposal to the Council last October regarding the review of the Social Fund and in its draft resolution on vocational training policies. Before the first quarter of the year is out, it will also propose an expansion of aids to youth unemployment.

Then, we must make a greater vocational training effort, for technological change confronts workers with a difficult process of adaptation. The process will be eased if governments come up with the requisite resources and infra-

structure, in particular for vocational training. This is the price we have to pay if those affected are to accept change. The Commission would therefore urge Member States to step up their training programmes.

We must also do something about reorganizing working time: this can help improve the employment situation if it is handled properly. But if we are to succeed — and we are determined to do so — we must proceed with caution, otherwise the sole outcome could be a decline in competitiveness. Our economies have been placed under great strain by various forms of rigidity in recent years, and we must beware of all-or-nothing approaches. Flexibility must be the order of the day. The Commission will endeavour to secure a basis for an agreement between the ten governments on the reorganization of working time by means of contacts with — and between — the two sides of industry.

This brings me to the question of completing the internal market. The existence of a large, fully-unified internal market would be a decisive factor in rebuilding Europe's industrial strength. Every industry stands to gain from the resulting economies of scale and from the security provided by access to such a vast market. Every business, large or small, stands to gain. It would be a boon for small firms in particular, for with their more limited means and fewer connections they are more vulnerable to the discriminations and hazards which menace them in a fragmented market.

The great advantage of a unified market is conspicuous by its absence. As matters stand today, too many industrialists are wary of organizing themselves on a European scale because of discrimination in public procurement, standards and financial incentives, and yet they are exposed to competition from groups based outside the Community.

As a result, Community firms are tempted nowadays to adopt a different strategy, regarding the other Member States as foreign markets, albeit closer and more familiar than most, and cooperating with non-Community firms in groupings which, while relegating them to a subordinate role, at least give them access to the international market where, paradoxically, they enjoy greater security than on the Community market because of their alliances.

If the Community is to break this vicious circle, it must resolve to bring the process of unifying its internal market to rapid completion. Perhaps we still have to remind the citizens of Europe that the common market is common to all of us, not just to others. Only if they are convinced that this is so will businessmen, seeing that national markets are being opened up to them, change

their strategies. Then and only then will we see European firms coming closer together and forming groups which, without reducing competition within the Community, are powerful enough to escape the grip of large corporations elsewhere. This is also the way that we can give small businesses the stability and security without which they cannot hope to flourish.

Hence the Commission's primary objective at the beginning of this year is once again to win the battle of the internal market. This Commission has already made a large number of proposals — there are 80 or so of them — in fields of particular concern to the business world: technical barriers, public procurement, company law and the free movement of people and services. Given the Council's inability to act on these proposals, it recently selected a number of priority areas, perhaps 30 of the 80. Although the battle is far from being won, the Heads of State or Government seem to be well aware of the need for victory. The Copenhagen European Council recognized the value of this procedure, and the Council is now holding meetings with agendas devoted entirely to the internal market. The first such meeting was held at the beginning of this month, and I must say the results were promising. The Commission will attempt to have the decisions concluding this vital first phase taken quickly; then, by the end of 1984, it hopes to secure the removal of technical barriers to trade, the liberalization of public procurement, free movement of the principal services, decisive progress towards creating a European context for business activity, and relaxation of frontier formalities. We are relying on this House to keep on insisting that the project must be brought to completion.

My third priority area is rebuilding Europe's industrial strength. Apart from completing the common market we also need to implement a Community industrial strategy which gives the same kind of impetus to the process of modernizing industry as the abolition of customs duties and establishment of a common external tariff did in their day. If we do this, Community preference will at last become a reality.

We can strengthen our industrial base in three ways: by breaking new ground and developing our strong points; by reorganizing our basic industries; and by securing, I hope, independence for our energy supplies.

If we are to break new ground and develop our strong points we must first, as you have often stressed, make a great effort on research and development, which in turn means exploiting the European dimension in order to master the new technologies and take our share of emerging world demand. With this in

mind we have drawn up an R&D outline programme for the period from 1984 to 1987, covering all national and Community initiatives. We are planning a budget of 4 000 million ECU, which will be channelled towards technological development and increased competitiveness. I think I can say that never before have Community research programmes been so coherently and clearly directed towards investment promotion and hence job creation.

The Commission has also developed the Esprit programme or, to give it its full title, the European scientific programme of research in information technology. Esprit is a programme financed jointly by industry and the Community which links the best R&D teams from the European giants and the most dynamic small firms. The Community has done what no Member State could hope to do — it has got major European companies from different countries to work together. If this original concept is properly implemented it could quickly serve as a model for closer cooperation in other areas. But this will depend to a great extent on the Council's ability to keep pace with the Commission and industry. The main Esprit programme will have to be approved no less quickly than the pilot projects, which means by the summer.

We will be making proposals on biotechnology before the end of June. Our approach will be similar here.

Rapid progress should, and indeed can be made, in telecommunications this year. The time is coming when Member States will no longer be able to reject Community strategy in an attempt to keep their national preserves by means of their public procurement policies. We are all guilty here, but these national preserves are vulnerable and at the mercy of stronger competitors. If Member States do not relinquish them in favour of a Community programme, we shall soon have neither the one nor the prospect of the other. And we will have lost a vital part of our independence and prosperity. Is it not sad that great Community firms can win public orders abroad, but not in other Community countries?

Reorganization of our basic industries is the second condition for industrial revival. This is every bit as important as breaking new ground. Where the new ground offers hope, new-found competitiveness in restructured industries will restore confidence.

The Community is fully committed to restructuring the iron and steel industry, and it must be realized that we have only been able to embark on this in an orderly and economical manner by working on a European scale. You have

already approved the broad outlines of our strategy on iron and steel so there is no need for me to go into detail here.

But let us not be under any illusions: the remedies for our ills will be painful themselves. 1983 already looks like being the worst year ever, with production virtually back down to the level of the very year the ECSC was established. In addition to the quota system that is currently operating, we shall have to make a very great restructuring effort if we are to restore equilibrium. We shall have to make great sacrifices, and we shall have to be highly disciplined; otherwise the sacrifices already made will have been in vain, and new sacrifices will have to be made.

Before the end of June the Commission will react to the plans to aid the restructuring of the iron and steel industry presented by the Member States.

But in these difficult times it cannot ignore the human element and will provide two indispensable types of support for steel-making regions in decline.

One will be a four-year programme of social measures for steelworkers costing 300 million ECU. The broad lines of this programme were approved recently.

The other will promote conversion in steel-making areas using loans and grants to create jobs, especially in small businesses.

The Community must not skimp on funds for this project. It must bear part of the financial burden imposed by the rules it lays down. It accepts its responsibility in full.

The third point I would like to make on the revitalization of industry is that we must introduce a Community energy strategy.

This is a priority sector, if ever there was one, given the Community's dependence and the lack of proportion between what the Community needs and what the Council has decided so far.

The Commission and Parliament have jointly fixed the objectives. The time has now come for action.

Last December the Council at long last recognized that the case for coal needs to be looked into again. Now that it has obtained this initial response after 15 years of silence, the Commission will present an outline strategy for solid fuels this month.

With oil prices tumbling, the need for care in the use of energy is stronger than ever for economic, industrial and energy reasons.

Admittedly this drop in prices does ease the burden on importing countries and demonstrates the strength of the market economy. And yet there are still those who complain. But this respite will set us up for fresh disasters if we fail to develop our own energy potential now. Our task must be to stave off a third oil shock. There are a number of relevant proposals before the Council for support for investment in the rational use of energy, for more research to develop our potential, for support for industrial development by means of a programme of demonstration projects, and for continuation of the loans policy, especially in the nuclear sector.

For 10 years now the Community's energy policy has been confined to encouraging words. The Commission's proposals for energy programmes of Community interest in the United Kingdom and Germany show what could be done in the Community and for the Community if we had adequate funds. Once the supplementary budget is adopted, who in the Council could dispute the need for an energy strategy? This is the frame of mind in which this House should approach the debate on the supplementary budget.

This new situation should be the starting point for a new policy. In 1984 the Commission could then, but only then, replace projects of Community interest by a Community policy.

I have spoken of reinforcing the Community's budgetary and financial instruments. The Commission intends to mobilize its budgetary and financial resources in support of investment and job creation. However, there is no point in having more money available if we do not overhaul the instruments through which it is channelled, the Regional and Social Funds for example. This effort must also be closely coordinated with national programmes and objectives so that those fitting into a Community approach can be given priority support.

The main features of the Community's budgets in the years to come will be as follows. First, expenditure on innovation, research and development will have to be doubled in real terms within five years at the most. It will then be possible to continue or speed up work in progress and launch new projects with the Member States.

The first task in connection with infrastructures is to draw up a transport infrastructure plan and programme of Community interest. The Community's budgetary and loan instruments will be put to work around this programme and within the framework of a common transport policy.

The Commission shares Parliament's disappointment at the Council's failure to act in this area.

We must now grasp the opportunity to make new progress in integrating the common market by launching a common transport policy, though we must of course respect the economic and geographical diversity of the Member States. It is vital that we should immediately relax, and then remove, the restrictions that exist at the moment; by September, with the help of our staff, we will be putting forward four sets of proposals. The first will be for a programme of railway cooperation. The second will be for the breakdown of barriers in road transport, especially within the Community, and for a development programme based on economic criteria. The third will be for liberalization of air transport. The fourth will be for a multiannual programme of action on transport infrastructure.

For structural expenditure in general, the Commission will propose that expenditure from a Regional Fund and a Social Fund reflecting our proposals be doubled in real terms over a five-year period. Operations backed by the EAGGF Guidance Section and programmes for the Mediterranean area will receive a similar stimulus. The proposal for integrated Mediterranean programmes will be presented later this month. It is true that we are running late, but this is simply due to the volume and complexity of the work required in drafting coherent and effective proposals. Our desire is to grant the best possible aid to these areas which deserve a special display of solidarity; we hope to put the proposals before you by the end of the month.

Finally, for energy, apart from mobilization of the Community loan instruments which this year will be providing over 2 000 million ECU to finance energy projects, expenditure will be concentrated on the rational use of energy, demonstration projects and investment in the coal industry.

The increase in budgetary funds which I have just outlined is necessary if Community aid is to reach the critical level at which it triggers the multiplier effect. This must not lead to any overall increase in the burden borne by Europe's taxpayers. It is high enough already. The aim, rather, is to achieve a saving in management costs by replacing uncoordinated national spending by coherent Community action, and that, surely, is what the Community is all about.

The Commission considers that these resources are essential to the priority objectives it is proposing. It will therefore refuse to engage in this action if it is not supplied with sufficient funds. Parliament is better placed than anyone to

understand this. And the Commission will not even pretend to have a policy if once again it is not given the money to pay for it. In this situation, we would prefer to withdraw our proposals and lay the blame fairly and squarely at the door of those responsible.

The Commission has been constant in its policy of boosting Community lending operations in parallel with the budget. And this House has always given us stout support. Our financing operations will exceed 5 000 million ECU this year. This is already a significant contribution. It represents 1% of total investment and over 10% of investment in some priority regions; in some countries it makes up 10 to 15% of investment in the energy sector. But there is still room for expanding those activities: the Commission will use this margin to raise an even greater volume of loans, to an extent compatible with the capacity of the capital market.

This is the background against which we should view the Commission's proposal to raise a further 3 000 million ECU under the New Community Instrument to be used to speed up the modernization of the economy, especially the industrial sector, with particular reference to small businesses which form a dynamic and promising network within the Community. This Commission proposal, into which Parliament's amendments were incorporated, was discussed in the Council yesterday. The results were promising. The decision must not take as long as the NCI II decision.

We must now consider the international climate, for some of the factors which are crucial to Europe's economic recovery are matters for international concern. They include the functioning of the monetary system, financing growth and structural change in the developing countries, coordinating the macro-economic policies of the major industrialized countries, and lastly the functioning of the international trading system established under GATT.

Recent trends in all these areas have further aggravated the crisis. In this they reflect the declining efficiency of the international economic system — a decline which is particularly marked in the monetary area and especially in North-South cooperation.

The Community must cultivate its world status if it is to help improve the international climate. Individually, no Member State can hope to exert any great or sustained influence on these issues. The Community alone can hope to do so, but two conditions must be satisfied.

The first relates to internal cohesion. The Community must agree in advance on common positions in areas in which it intends to exert an influence.

At the moment these are largely confined to commercial matters but logically monetary and financial matters should be included too.

The second condition relates to affirmation of Europe's identity to the outside world. This implies that the Community must speak with a single voice. It has had some success when it has done so, through the Commission, on such difficult questions as trade in steel with the United States, the operation of GATT and economic relations with Japan. When the Community sticks together, it can defend its basic interests at the negotiating table.

The Community, therefore, must above all assert its influence in three areas — monetary, financial and macroeconomic. I am not going to talk about the world trading system since the Community is already fully exercising its powers there and has undertaken, with its major partners, to work for the preservation of the open trading system.

The disarray of the international monetary system has greatly dampened the prospects of economic recovery, and is still doing so. We have no wish to recreate the old system, but a return to monetary stability and a secure climate are needed. An attempt was made following the Versailles Summit, but we have not made enough progress, or made it quickly enough.

The Commission, exercising, as you would expect, the discretion required in these sensitive areas, though I might add that they are debated very seriously, has been urging the Council to recognize that the Community as such needs to develop its negotiating capacity here and to devise procedures and objectives to be recommended to its main partners. Real, regular progress in discussions with the authorities responsible for the major non-European currencies is now of crucial importance to all the Member States.

The second area is the international financial system. There are a number of shortcomings here, particularly as regards the external debts of many developing countries.

I welcome the recent agreement by the Group of Ten to expand the resources and scope of the General Agreements to Borrow and to increase IMF quotas at an early date. The Fund's credibility depends on this, and I need hardly tell you that the Community was actively involved in bringing the negotiations to a successful conclusion.

We must now build on this progress. It is essential that the international community should be better equipped to avert the mishaps — or worse — which could be provoked by the level and scheduling of foreign bank debt.

Agreement must also be secured quickly on increasing the funds available to the World Bank and associated bodies, especially the IDA, so that they can tackle the problem of financing the current account deficits of developing countries while encouraging the requisite structural adjustments. If this is not done, the decline in the import capacity of these countries will deprive world trade, and our trade, of one of its essential props. This is a risk which the Community cannot afford to take.

The negotiations with the ACP countries for renewal of the Lomé Convention, scheduled for the second half of the year, will give the Community an opportunity to give practical expression to these concerns and to the vital importance it attaches to the problem of hunger in the world and implementation of food strategies designed to bring the developing countries closer to self-sufficiency.

This brings me to my third area. At the forthcoming Williamsburg economic summit and in bilateral discussions with the United States and Japan, the Community will have to step up its efforts to reach the following goals: a smoother-running international economic system, especially along the lines I have just described as regards monetary and financial matters, a consensus on the scope available for reinvigorating the work economy, and persuading Japan to make a larger contribution — commensurate with its economic strength — to the smooth running of the international economic system. The Commission and its negotiators in Tokyo this very week are well aware of the scale of the problem — which, believe me, is more than a purely commercial one — and of the importance of securing worthwhile results quickly.

With the United States we must establish a basis for dialogue acceptable to both sides, notably on farm produce — there can, of course, be no compromise on the fundamental principles of the common agricultural policy. There are so many clouds on the horizon that we are bound to be worried. We cannot close our eyes to the risk of a very dangerous escalation of the conflict here.

Lastly we must secure a common approach to East-West economic relations, which are so important to the Community.

III. These then are the priorities that the Commission would propose to the institutions, the governments and the people of the Community so that our

efforts can be coordinated, directed and stimulated at European level. But Europe must have the ways and means of implementing its policies. Europe must be capable of taking decisions and taking them in time. The Community cannot hope to convince the all too numerous sceptics or to rouse the general public from its indifference until it has rid itself of the shackles which are restricting its capacity to act: the budgetary constraint, which has been holding it back for four years, and the institutional constraint, which it has had to bear for 17 years now.

The budgetary constraint means that the limit on own resources has almost been reached. If we force the Community to remain within this limit come what may, we are tying its hands. I can think of no instance from the past of an institution being encouraged to develop and yet arbitrarily deprived of the means to act.

But why does the Community need new own resources? A very good question, with a simple answer. Even if we can achieve savings thanks to tighter management of budgetary funds, and funds allocated to the common agricultural policy in particular, new own resources will be needed to bring Community intervention to the critical level at which it will have a real impact and provide the stimulus and guidance we expect of it.

We are all aware of the burden already being borne by Europe's taxpayers and national budgets. You may rest assured that the Commission's requests for new own resources will be strictly limited to policies and projects of genuine benefit to Europe and to the Community dimension.

The Commission's green paper is before you. In it we discuss various types of resources which could be tapped rapidly.

You may wonder what principles guided our initial choice, for that is all it is.

We had two fundamental criteria in mind. The first was that the Community's financial position should be secure for many years, say at least a decade. It would obviously be disastrous if the Community were to be confronted at more frequent intervals with the need to create a new margin for manoeuvre. We need to avert recurring crisis, bouts of fever.

Our second criterion was the need for balanced contributions. This House has drawn attention to the importance of this in the context of burden sharing. It was you who decided to opt for this principle.

The Community needs an equitable, balanced financing system which can be accepted without reservation by present and future Member States since they

will have to ratify it. This makes political sense, because we will have to secure national ratification of these new financial provisions. If any of you are in a hurry, perhaps I might remind you that the original own resources decision was seven years in the making!

Now that the Commission has outlined its priorities and ways and means of achieving them, I would urge you to proceed to an early debate on the green paper; I wish we could have given you the paper last year, but there is so much to be done, and we can't do everything at once. The Commission wishes to use the green paper as a basis for consulting Parliament and, through it, public opinion in Europe. The Commission and our governments need your views before formal proposals can be made and a particular policy selected. Once the proposals have been presented, which I hope will be in May, the Commission will ask the June European Council to get discussions under way and provide the political will and impetus which are essential to success. The Commission hopes that the Council and Parliament will give top priority to this matter in the months ahead. I need hardly tell you that much, if not everything, depends on that.

Let us be quite clear on this point to avoid all possibility of ambiguity and misunderstanding. New own resources and the development of new policies and activities will naturally help to reduce the scale of the British and other problems. But the problem will not disappear overnight. We must be aware of this, even if we can never measure the time-scale accurately.

In the first place some truly common policies — the fisheries policy, our latest success, for instance — do not and will not have much impact on the budget. We must be wary of falling into the trap of seeming to promote policies which involve expenditure. In the second place there are policies — the Mediterranean programmes are an obvious example — which only apply to certain areas of the Community. But this is no reason to abandon them.

As I see it, and as you have said, if a policy is in the Community interest, it should be applied throughout the Community, even if the budgetary consequences are more extensive, since they affect other States, and are more complex. Your rejection of the supplementary budget on 16 December marked the end of certain practices. The Commission has drawn its conclusions, and the Council agrees with them. But the Commission refuses to contemplate the creation of new resources and the development of new policies for the sole purpose of solving the budget problem. We must guard against transforming

new policies into a mechanism for adjusting the budget. I am sure you will agree that such a course would create deeper political and intellectual distortions than a straightforward budget rebate. What is more, there is no guarantee that it would work.

Can we really expect that at the crucial time each year we will arrive at the figure for expenditure on new policies that tallies exactly with this or that country's so-called deficit? There is no denying that the United Kingdom's deficit is really serious. But if we attack on two fronts — resources and expenditure — and if we remain true to the letter and spirit of the Treaty, we will gradually, but only gradually, solve the problem. In this context, the Commission's ideas on the development of structural expenditure can make a valuable contribution. It is up to you to take the decision now.

Much, too, will undeniably depend on whether farm spending can be brought under control. Which is why at this difficult juncture I would urge this House to endorse the Commission's farm price proposals which, while respecting the principles of the common agricultural policy, follow the budgetary approach you advocate. This is more important than ever, given the international economic context.

And I would ask you to keep these considerations in mind when you debate our new supplementary budget later this week.

If we can give Europe sound finances we will make it free to follow sound policies. But more than that, we will help the countries which are asking to join in our venture. If we are to demonstrate to Spain and Portugal that Community solidarity is no empty slogan, we must have the means to help them meet their economic development needs and promote social progress. An early solution to the own resources problem would be one of the best ways, perhaps the only way, of speeding up the accession process and laying a firm foundation for the future Community of Twelve.

I come now to my last point, the institutional constraint. The first condition for sound, efficient management of Community affairs — as of any form of human endeavour — is that the necessary decisions be taken in good time. It is the Commission which exercises the power of initiative here, subject, of course, to supervision by this House. But of course the final result, as we all know, depends on the Council's ability to take decisions.

I do not wish to dash too many hopes, but I feel I must remind you of a number of realities. The Treaties themselves require unanimity for major decisions, in particular for action in new fields outside the strict confines of the Treaties. I am

referring, of course, to Article 235, which is the basis for most of our new policies, such as our policies on energy, research, innovation, regional development and monetary integration. To open up the way for new policies we are forced to rely on the political will of governments and the political pressure exerted by Parliament and public opinion. But once the first steps have been taken and the foundations of a new policy are firmly laid, decisions on its further development must be taken by the majority laid down in the Treaties for the common policies they establish. At this point constitutional amendment gives way to executive management of European affairs.

In addition to this institutional constraint, there is the Council's insistence on unanimity on every question, even where the basic legislation does not require it. It is high time we turned our back on quarrels about the Luxembourg compromise which has been increasingly detrimental to the Community. It was bad enough in the Community of Six, and worse still in the Community of Nine. But I promise you that if the practice were to persist, it would completely paralyse a Community of Twelve. It is no longer acceptable that Community decisions, when they finally emerge, can only be described as 'too little, too late'.

Swift decision-making is crucial in a period of crisis. A decision that is constantly deferred ceases to be of any use, and Europe loses its credibility: I have already cited the example of the New Community Instrument. A decision is needed now, for it is now that we need to encourage investment, not in a few years' time.

Yet it can be seen from the history of the Community — even in recent times — that substantial progress has been made by a majority decision, or at the very least by a threat to call a majority vote. I think I make myself clear. To be honest, I do not think there is a single government that has not felt the need for a majority vote at some time in the last 10 months. At any rate the Commission has decided to proceed as follows. On major issues vital to Europe's future, it will begin by endeavouring to secure a universally acceptable agreement on the substance as a guarantee of lasting success. But, since all major issues need a quick, clear decision, it will ask the Council to vote whenever the talking goes on too long, leaving the Council with the responsibility for either taking or ducking the decision.

The Commission gave the institutional question pride of place in the inventory of problems relating to enlargement which it presented to the last European Council. I do not propose to go into the details here. Suffice it to say that the

Council, which is to begin considering our proposals shortly, is asked to delegate more executive tasks to the Commission and to accept that there should be more majority decisions. These decisions would require the formal assent of this House, which would thus be more closely involved in the Community legislative process.

The Commission's objective, then, is to restore the Community's capacity to act, without which it will never achieve its ambitions.

IV. To conclude, the Commission is utterly convinced that it has made the right choice in giving absolute priority to the battle against unemployment and industrial decline, and to the need to improve performance substantially, by exploiting the European dimension and strengthening the Community.

The priority package I have outlined does not cover all the tasks to be tackled in the short term, still less the whole long-term future of the Community. It is geared to a clearly-defined objective and it is this, rather than any novel components, that make it worthwhile.

I have deliberately refrained from mentioning areas of key political importance — enlargement, reform of the common agricultural policy and interinstitutional relations, to name but a few — to which the Commission is devoting so much time and energy.

But whereas to many people the package will seem too ambitious, for us it contains the minimum of measures which the Community must take if it is not to lose the battle and, consequently, forfeit the achievements of 25 years of European integration and fall short of its political goal.

But no one will misread the package. What I have proposed does not lack ambition, especially if we look beyond the general strategy and consider the details. Its implementation would constitute a qualitative advance within the Community and augur well for successful completion of the final stages of European integration.

If it is to serve its purpose it must be implemented rapidly and in its entirety.

How are we to imbue the governments, ministers and administrations of our 10 countries with our ambition? Exceptional situations call for exceptional measures. I have already spoken — and so have you, Mr President, just a few months ago — of a 'new Messina', a special, lengthy, top-level meeting which would formulate the political commitment of the institutions and the Member States to the action to be mounted in the next decade. I believe the idea is

slowly, perhaps, too slowly, but surely gaining ground, despite initial reluctance and the economic clouds darkening the horizon.

But we must no longer tarry. The Community needs a clear signal. I hope it will come from the European Council next June. In the meantime we will work all-out on the internal market, research, energy and social policy. We will take a decision on the 3 000 million loan. We will reopen the currency discussions, make progress in the accession negotiations and present proposals for new own resources. The European Council can then take note of our successes and perhaps deal with some obstacles. But, more importantly, it can give the political impetus that will ensure rapid development of new policies, set budgetary discussions in a new context and help to overcome institutional diffidence.

The Commission will expect a reaction to its proposals from this June meeting. We will work towards this deadline with dynamism and determination. We trust that we can count on your support and look forward to your contribution. With you, we will then move on towards a better, more closely-knit Europe, which both the Community and all the Member States sorely need. This year, when we need a more closely-knit Europe, more solidarity, we must decide where we are going to be in the year 2000 — which is only 16 years away, incidentally. At the same time we must solve all our difficulties, break out of all the shackles that have been constraining us for 10 years now and find our way out of the worst economic crisis that we have known for 50 years. A tall order, you may say, but if we get down to work together straight away and deliver the goods, then all of us, but especially you, can mobilize the popular support that the Community needs in 1984.

Outline programme of the Commission for 1983-84

I — Introduction

1. The Commission's outline programme has to be seen within the policy framework delineated by the President in his address to Parliament presenting the Commission's priorities for the second half of its term. The Commission feels that both its own efforts and those of the other institutions must aim to ensure that the Community makes a significant contribution to the fight against recession, industrial decline and unemployment.

This contribution must be developed on five fronts:

- by improving the general economic and social environment;
- by completing the single market;
- by restoring industry to a position of strength;
- by reinforcing the Community's budgetary and financial instruments;
- by improving the international environment.

2. These political guidelines will underlie the Commission's endeavours in its main fields of action, where it will strive to inspire joint effort at all levels—national, regional and sectoral:

- the improvement of the general economic environment by the coordination of national economic policies, the promotion of productive investment, the development of Community financial instruments and the strengthening of the EMS;
- the battle against unemployment by means of an employment policy inspired by greater social solidarity and involving the training of young people, the reorganization of working time, the adaptation of the labour market, the review of the Social Fund, the continuation of the social dialogue and the redistribution of public spending;
- the European industrial area, achieved by means of the single market, flanking policies and common strategies;
- European agriculture and the new fisheries policy;
- European solidarity between regions and the integrated Mediterranean programmes;

- enlargement to include Spain and Portugal;
- external relations;
- development policy;
- Mediterranean policy.

All of these operations form a whole and will demand coherent and convergent efforts in all sectors.

3. The President's address to Parliament also stresses that to enable the Community to make this contribution towards overcoming the crisis two hindrances to its operation must be removed: the budget obstacle and the institutional obstacle (the decision-making process in the Community). Because of their nature, the political initiatives that the Commission may decide to take are not included in this programme.

II — Areas of priority action

4. This chapter deals with the key Community policies and instruments for achieving the priority political objective defined in the preceding chapter. The various means at the Commission's command will have to be coordinated and applied at national level too, in order to produce the most effective impact within the overall Community economic strategy.

A. *Economic, monetary and financial policy*

5. Economic policy measures must be designed, first and foremost, to produce a lasting improvement in the employment situation in the Community. They must therefore now have two immediate objectives:

- to consolidate efforts to achieve internal stabilization and eliminate the uncertainty engendered by the international environment;
- to make maximum use of the margin of manoeuvre available so that the highest possible level of activity can be attained.

The Commission has defined a number of priority actions which can be reinforced in the light of future developments:

- closer coordination of economic policies in order to secure greater convergence of economic performance within the Community. Special importance must now be assigned to tightening budgetary discipline, enhancing the European economies' capacity to adapt and encouraging economic activity in preparation for the upturn so as to stimulate—with the help of any other specific measures—the creation of jobs. In support of this action full use will have to be made of the advantages of coherence and discipline inherent in the EMS. In addition to the systematic application of the procedures in force, a closer watch will have to be kept on the balance of payments position and external debt;
- improvements to the investment performance, notably to speed up the spread of innovation. This will involve evaluating national tax and financial incentives, boosting the efficiency of existing aid schemes and determining the

value of immediate and medium-term measures to redirect public spending towards supporting the development of productive activity;

- the development of Community financial instruments, especially the New Community Instrument in priority areas of intervention (infrastructure, energy and manufacturing industry), and their adjustment to the needs of industrial investment;
- further development, strengthening and consolidation of the EMS. This will mean increasing convergence, improving the mechanisms of the system, promoting private use of the ECU, and strengthening financial integration in the Community. Closer international cooperation and concertation between the EMS and its chief partners, such as the United States and Japan, must also be organized in order to ensure more stable interest rates and exchange rates.

B. Employment policy and social solidarity

6. Working along the lines set by the Council, the Commission will press on with the measures it has already initiated in the battle against unemployment. The following will have priority:

- Provision of better job and training opportunities for young people and the other categories most severely affected by unemployment.

The Commission will present an action plan for the employment of young people, to follow up the proposals it has already made for vocational training. It will present reports on prolonged unemployment and unemployment among women.

- Reorganization of working time.

Further to its memorandum of December 1982, the Commission will endeavour to lay the foundation for a Community consensus by means of discussions with and between workers and employers.

- Adaptation of economic structures and the labour market.

The Commission will be presenting a number of new ventures in this field. It has just completed work on proposals for a wide range of social measures in connection with the restructuring of the steel industry, and proposals for support measures to develop and create jobs in new firms (small businesses and cooperatives). In order to improve the efficiency and transparency of the labour market, through closer cooperation between employment services, the Commission will ensure that a mutual information system is brought into

operation and more efficient structures and forward-looking management of local markets established at local and regional level.

— Stronger social solidarity and equality of opportunity.

Pursuant to its action programme for promoting equality of opportunity between men and women the Commission will be presenting some new Community legal instruments to promote equal treatment and to encourage projects to assist women.

As a follow-up to its report on the first action programme to combat poverty and to the Council's conclusions, the Commission will prepare new specific measures in this field. It also intends to develop its work for handicapped persons and migrant workers.

— Review of the Social Fund.

As a support for its policy on employment and social solidarity, the Commission possesses, in the Social Fund, a vital asset whose value is constantly growing. It has already outlined to the Council how it sees the future structure of the Fund. The intentions are to concentrate more aid on regions and areas particularly affected by unemployment and economic difficulties and to broaden the scope of operations in favour of young people, for job creation and for other innovatory measures. To ensure more effective action the Commission envisages accelerated procedures for granting and disbursing aid.

— Adaptation of social security and redistribution of public spending.

To stimulate debate at Community level on specific questions relating to public spending, the Commission will organize discussions with the parties concerned on the basis of the principles set out in its memorandum on social security (controlling the growth of social security expenditure, review of financing methods and a more effective system of social protection).

— Continuing the social dialogue and improving working conditions.

The Commission will pursue the various moves it has made to intensify the social dialogue, as regards both the Community strategy to combat unemployment and specific measures. It will be presenting its amendment to the proposal for a Directive on information and consultation of employees in companies with complex structures. The Commission will start to consider with workers' and employers' organizations the possibilities for an agreement or specific measures at Community level to deal with problems arising from the introduction of new technologies on the shop floor. It will also continue its action on health and safety at work.

C. European industrial area

7. For productive investment to pick up again in Europe, a genuine single market is necessary to provide our industries with a preferential framework which will allow the Community, by reason of its size, to maintain or regain its international competitiveness.

The Commission's proposals for achieving the European industrial area focus on three aspects: the single market, flanking policies and common strategies.

(a) The single market

8. In view of the economic crisis and the requirements of a thorough restructuring of industry, the Commission will continue to give priority to consolidating and completing the single market. The Commission will first endeavour to ensure that the Council adopts a number of proposals all designed to eliminate obstacles to intra-Community trade and create a climate of confidence for business activities in the common market. In accordance with the mandate of the European Council of 3 and 4 December 1982, the Commission will also shortly be presenting a report on the operation of the Community's internal market in which it will assess what has been achieved to date in economic and legal terms and identify the obstacles hampering completion of the single market, an essential factor in the Community's economic development.

9. The Commission will make a determined effort to have the Council adopt its proposals on the following subjects by the end of March 1983:

- the arrangements for products from non-member countries under Community certification systems resulting from technical harmonization directives;
- the procedure for the provision of information on the establishment of technical rules by the authorities of the Member States and on the industrial standards laid down by national standards institutes;
- the principle of simplifying formalities at frontiers.

The adoption of these proposals would appreciably ease the backlog of proposals pending before the Council and would give a new stimulus to the internal market.

The promotion of common norms and standards could also be of decisive benefit to European industry in sectors in which its position is relatively strong.

10. The Commission will also use its best endeavours to have the Council adopt the other outstanding proposals on the internal market by 30 June 1983. They concern:

- establishment of a common legal and tax framework for Community industry;
- creation of a free market in services;
- genuine liberalization of the public procurement systems, in particular for telecommunications;
- environmental and consumer protection;
- intra-Community transport;
- confirmation of a harmonized approach at external frontiers.

11. The Commission must also act to reduce or eliminate any legal or tax obstacles which hinder the development of the internal market.

A number of activities must therefore be continued or started on legal and tax matters with the aim of establishing a common framework for Community industry:

- in the banking sector, action must be taken to promote the development of a European risk-capital market and to step up cooperation between the national supervisory authorities;
- in the insurance sector, the freedom to provide services must be promoted and all measures taken that are required to liberalize public procurement systems and prevent the reintroduction of barriers to trade;
- on company law, the Commission will discuss during the year a directive on the law governing groups to add to the existing body of legislation.

12. The introduction of satellite and cable technology for television broadcasting planned for the second half of the 1980s will raise complex economic, technical, cultural and, in particular, legal problems (e.g. freedom of establishment to provide services, choice of programmes, maintenance of fair competition and harmonization of copyright and advertising legislation). The Commission will therefore draw up a memorandum on cross-frontier television in the Community to launch a wide-ranging debate.

(b) Flanking policies

(i) Industrial innovation

13. In connection with the revitalization of the internal market, innovation is a key factor in improving the competitiveness of European industry. The Commu-

nity can play an important role by establishing conditions favourable to industrial innovation, especially in small businesses.

The Commission will give special attention to the following points:

- it will urge the Council to adopt without delay its proposals on the development of a transnational infrastructure for innovation;
- in the first half of 1983 it will present a proposal on financing innovation in small businesses in order to make it easier for them to raise risk capital;
- the Commission will also continue to investigate tax incentives for innovative investment;
- towards the end of the year the Commission will put forward proposals for the establishment of a Community policy concerning the information market.

(ii) Competition

14. It is of major importance for strengthening the internal market that competition be fair. The Commission will attempt to eliminate any distortions of competition, but at the same time it will make allowance, in a realistic and balanced manner, for the needs and constraints of the present economic and social situation.

15. In view of the constant increase in the range and volume of national aids, the Commission will be attentive above all to the danger of an escalation of these aids or their development into a means of national protectionism which would be particularly harmful to the unity of the Community market. In the present situation, such escalation would be more than just a waste of public money; it would jeopardize the chances of achieving the necessary reduction in national budget deficits and of setting the Community economy on the path to recovery.

The Commission will therefore be particularly attentive to ensure that aid granted by Member States presents the necessary transparency, as the essential condition for an effective and fair policy. It will keep a careful watch on all forms of aid, whether direct subsidies following the traditional pattern, or more complicated financial assistance such as the follow-up to the acquisition by the public authorities of a stake in companies in difficulty, or the financing of firms with public funds by more indirect channels.

The Commission plans to maintain its efforts to ensure that aid granted by Member States provides an effective stimulus to the coherent economic development of the Community and is not in conflict with the basic regional and sectoral objectives and other particularly important objectives such as the strengthening

of the position of small businesses in the industrial sector or the development of research, energy-saving or environmental protection.

16. In applying its anti-trust policy, the Commission will take due account of the increased need for cooperation between firms, in particular as regards research and development, specialization and joint production of components; but it will ensure that effective competition still prevails in each sector.

(iii) Environment policy and consumer protection

17. The environment policy is essential to the revitalization of the economy. With rational management of natural resources and the accent on innovation through the gradual introduction of clean technologies, it will widen the scope for economic growth.

Given the economic problems facing the Community the main task must be to promote activities which have a positive effect on investment and employment. Accordingly, the Commission will set in motion the new projects scheduled under the third environmental programme and give priority to projects designed to reduce atmospheric and water pollution.

18. The Commission will continue to implement the second consumer protection programme and attach particular importance to projects geared to promoting consumer safety and providing greater transparency of markets by improving information—notably the system of rapid exchange of information on dangerous consumer products—and by intensifying the dialogue between producers and consumers.

(iv) Transport policy

19. The reinforcement of the internal market and the improvement of the Community's economic position will demand greater efficiency from the various modes of transport. The Commission intends to step up its efforts in this area in an attempt to improve intra-Community traffic flows and thereby contribute to the unification of the internal market.

20. The Commission has already presented a multiannual programme on transport infrastructure for the period 1983-87. It provides in particular for the continuation of the project for the coordination of infrastructure plans and financial support for projects of European interest.

21. The Commission is also planning:

- projects to enable national railways to realize their potential in intra-Community movement of goods and passengers;
- the development of future projects to facilitate frontier crossing and eliminate unnecessary restrictions on the movement of the different modes of transport.

22. In view of the difficulties facing the common transport policy because of the differences between the Member States which are blocking a number of major plans, the Commission will present a work programme setting out the Community action on land transport for 1983-85 in order to achieve some substantial progress in this policy. Similar programmes will also be drawn up for sea and air transport in the course of 1983.

(c) Common strategies

(i) Industrial strategy

23. The Commission will continue to implement a Community strategy for developing industry in Europe along the lines it has set out.

Productive investment, first and foremost in industry, is the best means of adapting our economy to the new conditions of international competition, since it provides both an element of additional demand and a productivity-boosting component.

24. The Commission will continue to promote industrial redeployment, which is the only way of replacing lost jobs, and will determine, together with the Member States and the two sides of industry, the conditions for restimulating productive investments in:

- new technologies which can increase the productivity of our economy;
- activities corresponding to Community priorities, such as energy-saving, which directly generate jobs.

25. In 1983, the Commission and the Member States will put into effect the measures for redirecting budget policies which the Commission proposed to the Council (economic and financial affairs) and to the European Council. These measures should increase the propensity to invest.

However, a recovery in investment can only be encouraged by the Commission if the instruments already at its disposal are applied to specific objectives in the main sectors of industry and services.

26. As it has already done for motor vehicles, machine tools and textiles, the Commission will continue to study, along with the main branches of industry, ways and means of improving the coherence of its policies (competition, environment, research, standardization, financial instruments) to enable them to adjust their structures to meet the demands of international competition and technological change.

27. The Commission will be especially attentive in this exercise to the need to improve the competitiveness of traditional industries currently in difficulty. In particular, it will make even more determined efforts to see that State aids are used for schemes to increase the productivity and viability of such sectors (shipbuilding and textiles, for example).

28. The Commission will also continue to take this same line in exercising its special responsibilities to the steel industry deriving from the ECSC Treaty. It will adhere to its policy of progressive restructuring in the sector, the main components of which are:

- an external approach based on voluntary restrictions on exports to the Community;
- an internal organization of the market: a system of production quotas and guide prices in a European market still in a complete state of flux;
- a code which allows national aids in return for a reduction in excess capacities and the restoration of profitability;
- steel investment loans;
- social aids for redeployment;
- loans with interest subsidies for conversion operations in steel-producing regions.

29. Since, as stated above, new technologies will play a major role in revitalizing the industry sector of the economy, improvement in Europe's capacity to cope with growing demand in information technologies will be one of the Commission's major concerns.

The Commission will approach this task on three fronts:

- the Esprit pre-competitive research programme;
- the promotion of European standards, measures for gradually throwing open public telecommunications contracts, the creation of a prototype integrated

- digital network for Community needs, and the promotion of data banks and access networks to these banks (Euronet-Diane, Caddia);
- Community financing (NCI III for industry, innovation and small businesses).

(ii) *Common strategy in science and technology (R&D)*

30. Taking as a basis the common strategy the Commission has drawn up in this field along with its first general outline programme of Community scientific and technical activities, the Commission plans to:

- present communications on the assessment of research results and their utilization in the economy;
- introduce new R&D initiatives: an experimental project in 1983-84 to boost the efficiency of the European R&D system and the 1983-87 programme of science and technology for development;
- develop proposals on programmes of action in the following sectors:
 - new forms of energy and rational use of energy;
 - nuclear fission;
 - radiation protection;
 - biotechnology;
 - information technologies (Esprit);
 - industrial research, basic technology and clothing;
- step up R&D activities in agricultural research;
- draw up a proposal for a new multiannual JRC programme for 1984-87.

(iii) *Community energy strategy*

31. Both energy and oil consumption in the Community have continued to decline. As a consequence world oil prices have been going down. However, these apparently favourable trends are very largely a result of economic recession rather than genuine structural change in the level and pattern of energy use. When economic growth is restored energy demand will again start to grow. The primary task in Community energy strategy is to ensure that Europe does not revert to the energy dependence problems of the 1970s.

The Commission will therefore continue to:

- develop an overall energy strategy;
- bring forward specific proposals for action at Community and national level;

— encourage consistency of effort by Member States through an annual review of national energy policies.

32. In the coming year the Commission will focus particular attention on:

- the development of a Community policy for coal and other solid fuels. Coal must play a major role in displacing imported oil. The Commission intends to put forward specific proposals covering coal production and use, transport, trade, stocks, coking coal, environmental issues, and research, development and demonstration. These proposals will be submitted to the Council in the first half of 1983;
- the development of nuclear energy as the other major potential contribution to the Community's energy security in the years to come.

The Commission will pay particular attention to:

- safety (including the handling of radioactive waste);
 - the industrial aspects of nuclear development;
 - supply arrangements;
 - inspection procedures;
 - relations with other countries and international bodies in this field;
- further work to assess and, if necessary, improve the security of oil and natural gas supplies, where appropriate in cooperation with other countries in the international market;
 - developing the potential contribution of new energy sources, particularly through the funding of research and development programmes and support for demonstration projects in these technologies;
 - measures to encourage the rational use of energy in the interests of both energy strategy and economic recovery. A proposal to accelerate investments in projects on the rational use of energy has been made to the Council and further initiatives will be developed during the year. Research and development programmes and support for demonstration projects in energy saving will continue;
 - energy pricing and transparency. Following agreements in the Council the Commission will give priority to ensuring that the principles of energy pricing are applied throughout the Community. Further steps will be taken to improve the publication of price data;
 - ensuring a coordinated policy by the Community and Member States in external energy relations, both in multilateral and bilateral discussions. The

Commission will continue to expand its energy relations with developing countries.

D. Agriculture and fisheries

(a) Common agricultural policy

33. During 1983 the Commission will continue to work towards the objectives for the adaptation and development of the common agricultural policy which it set out in its mandate report:

- a price policy based on a narrowing of the gap between Community prices and prices applied by its main competitors in the interests of competitiveness and a hierarchy of prices designed to improve the balance of production;
- an active export policy which would honour the Community's international commitments;
- modulation of guarantees in line with Community production thresholds;
- an active structures policy tailored to the needs of individual agricultural regions, in particular mountain and hill regions and other less-favoured regions;
- the possibility of income support subsidies to certain producers in specific circumstances;
- improved quality control at Community level and tighter financial control by the Community in the management of EAGGF expenditure;
- stricter discipline in relation to national aids to avoid undermining Community policies.

(b) Fisheries

34. In 1983 the Commission will concentrate its efforts on establishing and developing all aspects of the new common fisheries policy approved by the Council on 25 January (conservation of resources, surveillance of fishing, common organization of the markets and adaptation of structures, and maintenance and development of Community fisheries agreements with non-member countries).

E. Regional policy—Integrated Mediterranean programmes**(a) Regional policy**

35. The poorer regions of the Community are particularly hard hit by the economic crisis and the decline of certain industries—a situation which is aggravated by unemployment and underemployment. And the countries with the most serious structural problems are also those least able, at a time of budgetary stringency, to find the extra resources required to cope with these problems. Strengthening the instruments of regional policy is therefore an essential aspect of the fight against the economic crisis.

36. The Commission will accordingly pursue and extend its regional impact analysis of Community policies (agriculture, industry, external trade, innovation, energy and enlargement).

It also intends, in accordance with the proposals already tabled, to improve the coordination of national policies both with each other and with Community policy. The analytical instrument for this will be the second periodic report on the socio-economic situation in the regions of the Community, which will be produced in close collaboration with the Regional Policy Committee.

37. The Commission will endeavour to bring the current negotiations on revision of the European Regional Development Fund to a successful conclusion, so that it will be more effective and better adapted to the new situation in the regions. Strengthening the ERDF will permit:

- greater concentration of the quota section on those regions which have particularly serious structural problems;
- an increase in the share of the non-quota section, which is intended for regions which have suffered particularly from the recent serious decline of industry, particularly steel and textiles, or from the effects of certain Community policies;
- a shift in emphasis from financing individual projects to financing programmes;
- the development of the inherent potential of the regions;
- priority to be given to integrated operations involving a number of Community instruments.

(b) Integrated Mediterranean programmes

38. As a result of their natural and structural handicaps, the Community's Mediterranean regions have derived less benefit than others from European integration and the development of common policies.

The Commission is aware of the serious problems confronting these regions and is planning to present to the Council proposals based on the principles of equivalence and equity suggested in the mandate report and taking account of the issues raised in the memorandum presented by the Greek Government on 19 March 1982.

These proposals will be for integrated development programmes covering operations in different areas (agriculture, fisheries, industry, environment, energy and research) and mobilizing a number of Community funds and financial instruments. The integrated Mediterranean programmes are designed to:

- improve the conditions of production and the quality of products in the agricultural areas concerned;
- promote the diversification out of surplus products, notably in irrigated lowland areas;
- compensate for the handicaps of certain less-favoured areas (inland and mountain areas);
- provide employment possibilities by introducing measures for non-agricultural sectors such as fisheries, tourism, small businesses or energy;
- promote economic activities by setting up appropriate infrastructures.

F. Enlargement

39. The Commission believes that the framework for the enlargement process can be determined by reference to three general principles:

- clarity in the accession conditions, especially as regards the nature and content of the transitional period;
- acceptance of all existing Community rules;
- the applicant countries to accede simultaneously.

40. The obstacles to enlargement arise not only from the specific difficulties of the applicant countries but also from problems in the operation of the Community itself. The Commission has suggested ways of surmounting these obstacles.

The internal problems

First, it believes that the Community should declare its willingness to introduce a more diversified system of own resources, which is necessary in any case for a healthy development of the Community of Ten; it will be presenting proposals to this effect. Second, the Commission is conscious of the problems caused by the inefficiency of the decision-making process and has suggested ways of making it more flexible. These are:

- greater use by the Council of the scope afforded by Article 155 of the EEC Treaty to delegate executive powers to the Commission;
- more regular use of qualified majority voting where the Treaties provide for it;
- extension of the possibility of majority voting in certain cases where the Treaties now require unanimity.

The specific difficulties of the applicant countries

Special attention must be paid to the problems of particular industries suffering from overcapacity and to the poorer or crisis-hit regions. The Commission proposes that talks be started with the applicant countries so that a pre-accession understanding can be concluded as soon as possible.

At the same time the Community must intensify its efforts to prepare itself for enlargement by removing certain stumbling blocks to the success of the negotiations. In particular, it must :

- step up aid to handicapped or crisis-hit regions ;
- extend the existing body of Community rules in the fisheries sector.

In addition, the Commission will urge the Council to adopt its proposals to improve the operation of the common agricultural policy in certain sectors.

G. External relations

The conduct of external relations will be guided by the following major principles :

Cohesion in foreign policy

41. The Community must show greater cohesion in relations—both political and economic—with the rest of the world. It has already demonstrated that it can achieve impressive results when it fully exploits its unity and its ability to

negotiate as a single body. Accordingly, the Commission will continue to urge the Member States to adopt common positions on major questions of foreign policy. This will require ever closer links between Community action and political cooperation. As a corollary, the Commission will have to remain on the alert for attempts by Member States to circumvent the common trade policy with unilateral action.

Bilateral relations

42. In its relations with the United States, the Commission will try to consolidate the improvement which began to emerge towards the end of 1982. A series of bilateral meetings at expert level will be organized to help iron out the differences between the two sides on agriculture.

The imbalance in trade with Japan continues to be one of the major concerns. Following the decision taken by the Council on 10 December last, the Commission will intensify its efforts to obtain more balanced trade relations. These efforts will be made on three fronts :

- easier access to the Japanese market ;
- a bigger effort by European industry to penetrate the Japanese market ;
- restraint by Japanese industry in certain sensitive sectors, to enable European industry to restructure.

More generally, the Commission will continue to urge European and Japanese business interests to step up inter-company cooperation on the Japanese, European and world markets by every possible means.

The Commission will apply its energies to ensuring effective management of the textile agreements which the Community has negotiated with its principal suppliers. Important negotiations on textiles will also take place with China and Turkey. In the case of Turkey, one of the priorities will be to achieve a lasting improvement in Community-Turkey relations so as to ensure a stable framework for imports.

Priority will be given to improving relations with Latin America. The resumption of negotiations with the Andean Pact could be an important element here.

More generally, the Commission will keep up its efforts to intensify and widen economic, industrial and scientific cooperation with the developing countries with which it has concluded cooperation agreements.

Multilateral relations

43. In its trade policy the Commission will step up its efforts to keep world markets open and provide unrestricted access for Community products. For this purpose, Community legislation will be prepared to make it possible to lodge a complaint where non-member countries breach international law.

The Commission will make an active and constructive contribution to the GATT work programme adopted by the ministerial meeting in November, especially on safeguard measures and agriculture.

*H. Development policy**General policy*

44. The Commission's action in favour of development will follow the principles and guidelines set out in its recent memorandum on the Community's development policy. The aims, methods, institutional machinery and resources of this policy represent a new, comprehensive approach designed to increase the coherence and effectiveness of Community aid and the development policies of the countries concerned and calling for the amount of Community aid to be gradually increased to the equivalent of one thousandth of Community GNP.

In this context the Commission intends to step up and improve its action against hunger in the world. Under the special programme it has drawn up three types of action will be possible : emergency operations, support for food strategies and help towards campaigns on specific themes.

Renewal of the Lomé Convention

45. The Commission will start work with the ACP States on the renewal of the Lomé Convention. In preparation for these negotiations, it will make proposals, in the light of the discussion now taking place on the memorandum on the Community's development policy, setting out the objectives and the methods to increase and improve cooperation between the Community and the ACP States.

Unctad VI

46. Unctad VI, which is to take place in Belgrade in June, will be a major event in multilateral relations, at a time when the North-South Dialogue is stalled and the world economic situation is creating development problems on a new scale. The Commission will devote a large part of its work in the early months of the year to preparation for this important meeting with the Third World.

1. Mediterranean policy

47. The Commission intends to intensify the talks it has already started with the Mediterranean countries linked to the Community by preferential agreements in order to discuss with them the shape of the Community's Mediterranean policy after enlargement, with particular reference to the impact enlargement will have on their economies, and to gather facts and hear their representations in this regard. In the light of these exploratory talks, the Commission will present to the Council, before the enlargement negotiations are completed and after consulting the applicant countries, a survey of the problems encountered and specific proposals as to the policy approach that should be adopted and the adjustments that will need to be made to the cooperation or association agreements.

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