

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

COMMISSION

**Programme
of the Commission
for 1978**

BRUSSELS LUXEMBOURG
February 1978

This booklet contains the address which Mr Roy Jenkins, President of the Commission, delivered to Parliament on 14 February 1978 when introducing the Eleventh General Report on the Activities of the Communities in 1977, and also the annexed memorandum setting out the Commission's programme for 1978.

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**Address by Mr Roy Jenkins
President of the Commission of the
European Communities
to the European Parliament
on 14 February 1978**

A year ago, Mr President, I presented the Commission's annual work programme to Parliament for the first time. Many of the issues I then marked out will be with us for many years to come. They touch on the nature of our Community and its prospects for the future.

During the year which has since passed, the broad lines of our strategy have, I think, become clear. We have put forward a number of ideas and proposals; we have registered some successes; we have known some disappointments. This is not, however, the occasion for too much retrospect. The Commission's general report has been submitted to you, and I shall be glad to reply to any detailed questions arising from it later in the debate. For the moment I want to concentrate on the future and how we would like to shape it.

Policy should begin at home. Our priority is the economic and political development of the Community itself. Not only are we guardians of a Treaty in which nine sovereign States undertook obligations with regard to each other, defined certain common purposes, and created common means to bring them about. We also share responsibility for the welfare and protection of the 260 million people who constitute the citizens of Europe. The Europe of the Community is no island. Three other European States, each with its ancient and proud traditions, want to join us. Beyond Europe the Community forms an essential part of the Western economic system, and shares many of the problems which affect the industrial world as a whole. More perhaps than any of our major partners, we also have a closely knit relationship with countries all over the world which are long tied to us by history, by interest and indeed by affection, and to whose development we contribute. It has become something of a platitude that the Community looks stronger, sometimes more imposing, to those outside it than to those within. If such an imbalance exists, I do not think it can long persist. Hence when I come to speak in more detail on the points I have just mentioned, you will find that at the end I will return to the idea we have of ourselves and to the future role of the Community as representative of the common interest of its members.

The greatest problem, Mr President, which now faces the Community is the state of the economy and particularly the level of its unemployment. More than any other international grouping, we live by trade, both within the Community and with others outside it. This is not an easy time for any industrial society. We face the associated problems of inflation, high unemployment and relative lack of

growth. The aims of the Commission are two-fold. In the shorter term we are concerned with emergency action to sustain industries which for reasons I do not have to give are no longer fully competitive. In the longer term we are concerned to promote the economic growth which will enable us to provide employment and prosperity for our citizens, and give us the opportunity to become once more the exemplars rather than the laggards of world economic progress.

The recovery of Community industry depends in the first instance and primarily on a continued assurance of the strength of the Community market. But we must not take refuge behind a theoretical concept of the market economy in order to sidestep the responsibilities which the crisis of industry imposes on the governments and on the Community. If the restructuring of the sectors in trouble were left to the play of market forces alone, or were conducted solely in markets defined and circumscribed by national boundaries, it would proceed in haphazard fashion and destructive of the very purpose of the unified market itself and involving social and economic sacrifices which Community action could and should keep within bounds. The initial results which have been achieved in the steel and textile industries, and the prospect of results in the shipbuilding industry show the real contribution the Community can make towards tackling the crisis, when it is given the powers and the means to do so. The problems of European industry are continental in scale. Action at Community level, therefore, can give a coherence to restructuring policy which autarchic, possibly conflicting, action by individual States alone cannot.

Equally, the Community can provide the solidarity which enables the more efficient to feel their labours will not be wasted and the weaker to know that they will not be sacrificed to the over-rigorous logic of a classic market system.

The trade understandings the Community has negotiated on textiles and is in the process of negotiating on steel demonstrate its ability to combine two important elements. First the preservation of traditional trade flows. Second, the need to adjust the growth of our partners' exports to take account of the slowdown in European consumption. But our industrialists should not engage in any wishful thinking as to the object of the Community's trade policy. It is not the provision of protectionist featherbedding. The relatively short breathing-space which the trade understandings can give to industry is only justified if it is used to modernize Community production and enable it to withstand international competition. The Commission's discussions with producers, with workers and consumers in the crisis-hit sectors stamp on our minds that modernization must be accompanied by reconversion to other job-creating activities in the regions affected by sectoral restructuring.

This means that the Community must launch sectors of growth which will strength-

en its industrial capability through greater technological advance. The time has come, and the chance is there, to make real progress in Community ventures in the fields of aerospace, data processing, electronics components and telecommunications. We have no right to pass up these opportunities for growth. It would be quite intolerable for a Europe in industrial crisis not to exploit its own vast market in these high-technology sectors.

At the same time we must recognize that the attempt to restore competitiveness to declining industries will not, in itself, or in the short-term, tackle the problem of unemployment. Now it is not, of course, the Community's function to intervene massively and directly on the labour market. We do not have the powers to do so. But on a smaller scale there are Community funds directly available for retraining policies. These must be fully used. The main impetus, however, for tackling the problem of unemployment will not come from such policies despite their utility. Indeed, the very size of the problem guarantees that it cannot be tackled in that way: it overshadows all our industrial and economic activities. The present reality is of 6½ million unemployed. The future reality, between now and 1985, is of a further 9 million young people added to the Community labour force and looking for jobs. This is not merely an economic problem: it is tragic for individuals and it could threaten the foundations of our society, and its institutions. We cannot be complacent about our existing means of tackling this problem. The alarm bells need to be sounded. No national economy in the Community is exempt from the prospect of present levels of unemployment persisting, or indeed growing. No national government offers, in my view, a long-term solution and this in itself is a hindrance to any general economic revival.

What in these circumstances can the Community do? First, our sectoral and regional policies must be put together in a coherent way, and we must build on last year's limited but successful steps. We have created the new Community borrowing power which we foreshadowed last year and which can underpin new investments. We have pushed forward plans of action to deal with structural problems in several industrial sectors: we must turn to the best possible account the new appropriations for industrial restructuring and the extra funds allocated to the European Coal and Steel Community. In addition we have strengthened the Community's other financial instruments, in particular by improving the operation of the Social Fund and developing the Regional Fund. The pursuit of these policies and their coordination is essential but they will never in themselves be a fully satisfactory medium-term answer to our economic difficulties. Hence there must in our view be a second level of operation, not just supplementary to the first, but different in kind. Our need is for a new economic impulse on an historic scale, and we believe that this can be given in the Community by a redefined and faster move towards economic and monetary union.

I do not intend today, Mr President, to rehearse again the arguments which have

led us to this view. Last month Vice-President Ortolí and I set them out before you in Luxembourg. I will only emphasize two points today. First, we should not allow ourselves to be deluded by temporary economic improvements in some Member States into believing that a fundamental economic turn-round is, for the Community as a whole, simply a matter of time. In the long run we know that we are all dead; in the medium term a lot of European citizens will, while they wait, be without work. Second, a Community which lives by trade both internally and externally needs international monetary stability, for its own health and for that of the world as a whole. A Community monetary union could play a major international role and make a major contribution to this end. Last year saw the reaffirmation of the avowed Community objective of economic and monetary union. In the past few months we have developed the arguments in support of a renewed effort to realize the objective. During 1978 we shall push forward the programme to which the European Council gave a 'fair wind' at the end of last year. The first stage of our five-year plan—that for this year—will shortly be presented to you. We intend to follow through these concrete proposals as well as encouraging public debate on the wide basic issues involved.

Mr President, so far I have spoken of our industrial and economic objectives. I should like now to turn to two other sectors of high priority—energy and agriculture.

Energy policy is of vital importance for the Community both economically and politically. This in itself is hardly a remarkable statement. Calls for a Community energy policy in the face of import dependence and balance-of-payments deficits are a stock-in-trade of politicians' weekend speeches. But the reality is still here a long way from aspiration. What the ordinary citizen sees now is that there is for the moment an actual oil surplus in the Community. It has even induced a relative reduction in energy prices. He may, therefore, find the talk about the risk of a future shortage of energy both confusing and irrelevant. He also sees, from time to time, demonstrations against the construction of nuclear power plants. I believe that in 1978 we have two obligations. First, to make the Community picture a more comprehensible one; and second, to take some useful decisions at a Community level. To do both we need political impetus more than rhetoric.

Four years after the oil crisis of 1973 all governments are clear that increasingly stringent limits must be set for energy consumption; our awareness of our limited resources and longer-term needs is sharper than it was. Economic and environmental constraints block off the path of unlimited expansion of domestic energy production. The pressure of the oil producing and exporting countries on the one hand, and the need to minimize the risks of nuclear proliferation on the other, set additional limits. In the long term all the countries of the Community, even if they possess some temporary abundance, are in the same boat.

What should be the shape therefore of a Community energy policy for 1978? We must, I think, see it in two different time scales, the one up to 1985, and the other beyond. The Community's objectives for 1985, now under revision in the Council, are ambitious—reduction of oil imports, more energy saving, and development of internal sources of oil, gas and coal. Energy-saving measures taken so far, especially in comparison with the position in the United States, are significant, but they have not so far involved any fundamental change of habits. Further progress in energy saving will be harder because it will involve real sacrifices. In this area we can build on national initiatives at Community level, but for this we need decisions and not delay.

The second time scale concerns investment with long-term returns, principally in research and development. We already have a multiannual research programme concentrating on energy matters: we have at last settled the issue of JET. But in the field of new sources—such as solar, geothermal and wind and wave power—and in the development of existing sources, especially indigenous sources, there is, in my view, good scope for a Community lead and a more ambitious programme. For example, Community-backed demonstration projects would be of both real and symbolic value.

We have two other obligations at Community level. First, and of major importance, we must defend Community interests in the energy field *vis-à-vis* third countries. The Commission is well placed to do this, particularly in view of our role under the Euratom Treaty in nuclear energy and nuclear supply. Second, we have to build bridges of explanation between various aspects of Community energy activity. In particular we should make clear the connections, as we see them, between energy policy and our general economic strategy. Our future standards of living, style of life, and growth prospects depend on both and their interaction upon each other. Energy policy should not take place, or be seen to take place, or appear to take place in a vacuum.

I turn now, Mr President, to agriculture and fisheries. The aim of the common agricultural policy is to ensure security of supplies to the consumer at reasonable prices, and a fair standard of living for the producer. Our achievements in both directions have been considerable. For the agricultural community, our system of guaranteed prices and regulated markets has provided a degree of security which has been enjoyed by few other sectors of the economy—and this has been particularly significant for farmers during the general economic turndown from which Europe has recently been suffering. For the consumer, there has been in the last year a period of stable supplies, with price rises lower than the rate of increase in most other sectors and significantly lower in most cases.

Nevertheless, we have still clearly not succeeded to master the problem of sur-

pluses in European agriculture. For several important products the long-term supply trends are still tending to move ahead of demand. One of the most sobering documents which I have studied recently was the series of graphs, showing trends of production and consumption in the main farm products, which we submitted to you together with our price proposals in December. These graph lines mark out clearly how difficult is the market situation now and for the future. This very serious prospect continues to preoccupy the Commission and, as I foreshadowed in my speech last year, we take the view that a very prudent policy for prices is the only way to handle this problem. If we are faced with persistent surpluses of, for example, milk or sugar—which we have to dispose of through either expensive internal measures, or export with the aid of large subsidies to any available markets—it is not because the mechanisms of the CAP are at fault: it is rather because the price levels at which we operate the mechanisms have been imprudent.

Last year, therefore, we proposed only very modest increases in the common prices. For the next season we have followed the same course; and we shall follow it for as long as is necessary to check the surpluses. This long-term policy will not be an easy or a popular one with the farming sector. I recognize that it is already causing difficulties. But I must say that in our view it is the *only* policy which can avoid the introduction of even harsher measures to bring excess production under control, or ultimately the disintegration of the common policy itself.

Another aspect of the agricultural policy where we have made modest progress in the last year is the dismantling of the monetary compensatory amounts. Here we are moving back towards the unity of the market—over a reasonable period of time, for a sudden abolition of monetary compensatory amounts would of course compromise our basic policy of price moderation. We have to continue this process so as to restore a fair basis for competition between agricultural producers in the different Member States. Of course, the monetary fluctuations which have overtaken the agricultural policy are in no way the fault of the agricultural sector. They are the symptoms of an underlying lack of economic and monetary integration in the Community. Progress towards monetary stability is essential for the long-term future of our farm policies.

In the fisheries sector, Mr President, the Community has yet to take the decisions about how to apply its common policy to the vast areas of sea within 200 miles of our coasts. Because of overfishing and threatened stocks of fish we must limit our catches and adopt strict conservation rules, both for our own fleets and for those of third countries. In negotiating for reciprocal fishing rights we have made good progress in the last year, and opened up important new dimensions in the relations between the Community and the rest of the world. On the internal regime

there has also been substantial progress. The Commission has put before you, and before the Council, all the necessary elements for an equitable share-out of the catch, and for effective conservation of the resources. I do not believe that a solution is far away. It will require political courage from the Council. Ministers have to take their responsibilities. But we have the right to demand that courage. Both the rules of the Treaty, and the need to manage Europe's fishery resources, demand a common solution in the common interest of all.

In the case of Mediterranean agriculture, Mr President, we have become increasingly conscious of the need for improving the situation of rural communities in the regions of Italy and southern France—and not forgetting the perspective of an enlargement of the Community which would bring in three more countries in the south. In the last year the Commission has submitted detailed proposals for Mediterranean agriculture; they will be one of our priorities for action in the next year. Our emphasis will be on methods of help which avoid the build-up of wasteful surpluses of Mediterranean products, whether in the Community of Nine or in a future Community of Twelve.

This brings me to the vital subject of enlargement itself. The way in which the Community now handles this issue is the hinge on which turns the relationship between our internal and our external policies. 1978 will be a crucial year for this. The Commission has already made the first of what will be a steady stream of proposals for dealing with certain problem areas in the negotiations with Greece. We must aim at least to break the back of these negotiations by the end of this year. The Opinion, the Commission's Opinion, on Portugal's application should be ready by the end of March—the end of next month. Spain, as we know, made its application rather later than the others. Talks are now beginning and the formal Opinion may be expected at the beginning of 1979.

It is clear from this timetable that the phases of the negotiations with the three applicant countries will not be concurrent. Indeed, it is accepted that the negotiations should not be lumped together. But inevitably similar problems affecting all three will arise. There is, for example, the transitional period which will be required after entry, and there is the problem of the transfer of resources, the adaptation of the Treaties, and the working of the Community institutions. In so far as these questions are interlinked, the Commission will be bringing forward ideas at the same time as the presentation of the Opinion on Portugal, that is by the end of March.

The world outside the Community knows that enlargement will be for us a test of our political will and capacity for economic integration. The world outside, I believe, wants us to succeed because the Community has a substantial position in the world and any weakening of our strength would have damaging consequences.

The Member States of the Community are economically, intimately interlocked. As a result, as I have argued, a major new initiative of Community scope is required for a generalized Community economic revival, but the Community as a whole is not isolated but is an integral and important part of the world economy. We are therefore to a considerable degree dependent on the external world for the permanence of any economic upswing we may be able to achieve. As the world's largest trading bloc it is essential that we are clear about the results we wish to obtain in bilateral or multilateral forums. The multilateral trade negotiations are now beginning their crucial phase in Geneva. They are of fundamental long-term importance as they will do much to set the pattern of trade over the next ten years. At the same time we need urgent progress to avoid any short-term slip into protectionism.

Of equal importance are the Community's relations with the developing world. On my recent official visit to the Sudan—a country which will have the crucial dual role as Chairman of the Arab League and of the Organization of African Unity in the period of renegotiation of the Lomé Convention, on my visit there—I had the occasion in my speech to set out our approach to our relations with the Third World. I said there was a need to reconsider the relationship between the industrialized nations and the rest. We cannot allow those relations to be falsified by any historical hangover of an approach of inequality. The reality is one of greater reciprocity in establishing more realistic contemporary economic relations. We need a just international division of labour and resources because there is a close interdependence between the prosperity of the economies of the industrialized world and the rest. We need to ask ourselves how our economic relations should be adapted to growing industrial development in third countries at a time when the problems of inflation and unemployment in the industrialized nations hamper our ability to stimulate renewed growth. The impulse of the Third World has, in my view, a major part to play in improving the position.

By 1978 decisions will be required on the establishment of a Common Fund, and concrete progress must be made on commodity agreements. We must also deal with questions of the transfer of resources, in particular the debt problems of the least-developed and poorest countries.

This year will also witness two important events. First, our southern Mediterranean agreements in the Mashreq and Maghreb will come into force. Second, we shall begin to renegotiate the successor to the Lomé Convention. I do not want to anticipate the discussions of the first proposals for directives for negotiation which we shall put forward but I think it right to emphasize our pride in the first Lomé Convention. It has proved to be exemplary for relations between the industrialized world and the developing world. In carrying it out we have acquired a

good deal of valuable experience. But we must not simply rest there but take fresh initiatives.

This will require intensive consultation among the three main economic groupings of industrialized countries. It is fortunate that our relations with the United States continue to be excellent. Our frequent contacts at official level were recently consolidated by President Carter's visit to the Commission on 6 January. It was a visit of great symbolic and practical value. At the President's invitation, I shall myself be paying another visit to the United States later on this year.

The Community's relations with Japan, which have been difficult in the past, are I hope now taking on a new pattern of more direct and regular consultations. I found my visit to Tokyo last October extremely useful. We have followed it up with two recent meetings with Mr Ushiba, the Japanese Minister for External Economic Relations, but there will inevitably continue to be difficulties until we can be seen to be moving towards a more balanced trading relationship with Japan.

I am also glad to recall that last year was the occasion of the first Western Economic Summit at which the Community itself was represented. As I told the House immediately afterwards, we greatly welcomed this important advance. The President of the Council and I will continue to represent the Community at future Western Economic Summits to deal with matters within the competence of the Community.

Mr President, I have marked out for you some of our internal and external priorities for the coming year. I have not, and cannot, deal with every aspect of policy of interest to each Member of the House. But there are two additional points which I should like to make to you.

First, to carry through these priorities effectively the Commission has to ensure that its special place as the institutional balance of the Communities—as initiator and executor of agreed programmes—is not undermined by unreasonable staff constraints. We are continually called on to produce bold, new imaginative solutions to the Community's problems. This is what we want to do. Sometimes we succeed. But at other times our contribution is less, qualitatively rather than quantitatively, than we would wish. The reason is simple. Many parts of the Commission's services are simply running hard to keep up with the pressure of daily events, of day-to-day business.

After a year's experience of the work of the Commission I fully accept that we have a responsibility to do all we can to put our house in order—and this, I believe, is to a large degree in hand. I know also of the resistance there is in Member States to any significant growth in the number of officials. But we cannot ignore the relatively low base from which we start and we must recognize that the role

of the Community is not contracting, but expanding. We have had in the last year much more work to do on fish, on textiles, on steel, on enlargement, not to mention new areas of Community activity like health and postal questions. All these have been added without taking away any other areas of activity. These, and other new activities, cannot be managed simply by cutting down on others. Neither Parliament nor the Council of Ministers, in the last analysis, want that. This Parliament in itself criticized the inability of the Commission to provide an adequate service in some sectors. A directly-elected Parliament will no doubt make further demands but our ability to meet them will not automatically increase. I therefore ask simply for a more realistic appreciation of the need for staff resources to cope with new and developing tasks.

I have mentioned, Mr President, the directly-elected Parliament. We had all hoped that 1978 would be the year of direct elections. It is, unfortunately, now clear that this will not be so. The delay is unnecessary and regrettable, for the Community badly needs the impulse which a directly-elected Parliament can give.

Nevertheless, within the next twelve months the campaign will begin and this is why in presenting to you the Commission's report on activities in 1977, and our programme for 1978, I have picked out the central themes on which, I believe, such a European election should be fought. We know that we shall have a directly-elected Parliament. What we cannot be sure of is whether that election will be fought, as it should be, on the major European issues. We in the Commission will do all we can to ensure that that is so. We must be ready to give, especially to you, an even more thorough-going justification of our policies than in the past. You must ensure, and all the candidates for election also, that the occasion does not become a substitute for action nor a diversion into national obsessions. The issues we face together are too serious for that.

With that in mind I want finally to say a word about the Community itself, its relationship with the Member States, the working of its institutions, the way in which it engages public opinion: in short ourselves in a looking glass. Recently there has been some reluctance to look too closely. I have heard it said, sometimes in this House, that it is better to proceed from day to day, dealing in practical fashion with practical problems, rather than to look too far ahead and to seek the way in which we want to go. I am not among those who want constant obsessive, introspective re-examination of fundamentals; I believe that we must see things as they are, that we must try also to map the course ahead, and sometimes lift up our eyes to the hills. If we do not do so, there is a real danger that our enterprise will go backwards rather than forwards.

The prospect of enlargement compels us to look at ourselves in just the way I have in mind. I start from the basic point that the Community is designed to rep-

resent the common interest of the States and peoples of which it is composed. In certain areas that interest has been defined, common policies have been worked out, and the necessary mechanisms for giving them effect have been set in place. That process is of course continuing. Like all living organisms the Community does not necessarily evolve in the most logical way. It may, for example, be logical for us to work out a common fisheries policy, but it is less obviously logical to find the Community giving such priority to common policies for industries in difficulty or decline. Nevertheless recent events have well demonstrated what the Community is for. It is for dealing with problems, not with all problems but with those which can best be dealt with by all of us together. The institutions are there. The framework for argument, for give-and-take, for the expression of solidarity, and for effective decision exists. The means of action are there or can rapidly be created. All that is necessary is the will to use them.

During the past year I have seen from the inside how symbiotic is the work of the Council of Ministers and the Commission. Their relationship is, I think, sometimes one of constructive tension, but also and more often one of mutual reliance, mutual need and mutual respect for each other's independence and competence. Recognition of that reliance, that need and that respect should, I think, become a kind of mental reflex when problems of more than national scope arise and assume a European perspective. This is equally true of the Commission's relationship with this House. Recognition of mutual reliance, mutual need and mutual respect should again cause a European reflex. I have already said that we hope that the direct elections of next year will be fought on major European issues. We want the European reflex to extend not only to governments and administrations and parliaments, but to the citizens of our Community.

I was much struck recently when an Irish magistrate, faced with a problem of what to do with a trawler which had been arrested for illegal fishing, concluded that the issue was too big for his court, or indeed any national court, and should go to the European Court of Justice. His reflex was right: that Court is not only a Community body but also a judicial organ of each Member State and its decisions are directly enforceable throughout the Community. Here we see Europe in the making. You may count upon the Commission playing a major role in that process of creation. Let us insure that the strength of our internal purpose is at least as great as our external power of attraction.

**Memorandum annexed to the address
on the programme for 1978**

I - Building an integrated economic unit

The road to economic and monetary union

1. The setting for the Commission's work in 1978 will be that outlined in its communication on the prospects for economic and monetary union,¹ which was favourably received by the European Council when submitted in December. The 1978 economic and monetary action programme, which the Commission will shortly be presenting, is the first annual section of a five-year action programme. It covers not only economic and financial affairs in the narrower sense but also work to achieve a single market (taxation policy, freedom of movement for goods and services, liberalization of internal capital movements, monetary compensatory amounts and right of establishment) and structural and social policies (industrial policy, energy policy, investment policy and social policy). Many of the measures mentioned in the present memorandum are part of this programme, which also gives details of a number of proposals already presented, on which the Commission feels the Council must act in 1978.

Economic, financial and budgetary policies

Economic and monetary policy

2. The poor growth performance of the Community in 1977 and the fear that the unsatisfactory situation could well continue prompted the Council to adopt an active strategy tailored to specific objectives: a minimum growth rate of 4-4 1/2% in 1978, an improvement in the situation on the labour market, and a lower average inflation rate with narrower disparities between the rates in the various countries. None of the member countries can achieve these objectives acting alone, but they can be attained by them all working together, provided that their efforts are coordinated and that there is proper

¹ Eleventh General Report, point 117.

cooperation with the other industrialized countries. This will be a prime concern of the Commission in 1978.

3. The Commission's work in the economic and monetary field will, within the framework of the priorities set out in the 1978 work programme (see point 1), take the form of the following initiatives.

Strengthening the coordination of short-term economic policies

4. In accordance with the guidelines set out in its communication submitted in October 1977,¹ the Commission will present in the course of the year practical proposals for the more effective coordination of the economic policies of the Member States.

Coordination of budgetary policies

5. On the occasion of the adoption of the budget guidelines for 1979, the Commission will propose, in June 1978, the adoption of a first set of improvements, including:

- (i) the introduction of quantitative indicators concerning the use or financing of budget surpluses/deficits;
- (ii) the extension of the budget guidelines to cover the entire public sector;
- (iii) the inclusion of annual net budget positions in the medium-term growth path.

Coordination of monetary policies

6. In the light of work carried out by the Committee of Governors of the Central Banks and by the Monetary Committee, the Commission will submit during the first half of the year its conclusions as to how monetary policy guidelines adopted at national level should be presented and as to how the guidelines should be examined by the competent authorities to check their compatibility from the Community angle.

Consultations with regard to exchange rates

7. In the first half of the year, the Commission will present to the Council a communication on the development of consultations with regard to exchange rates and systematic arrangements for holding them. The purpose of the consultations, linked up

¹ Eleventh General Report, point 87.

to the coordination of domestic policies, will be to restore coherent exchange rate relations both within the Community and *vis-à-vis* the currencies of the main non-member countries.

New financing instrument

8. Once the Council has adopted its proposal for a decision on the establishment of a new Community borrowing and loan instrument¹ the Commission will propose, as early as possible in 1978, that the first loan tranche be released.

Investment support

9. The Commission will present in the course of the first half of the year proposals concerning coordinated action with regard to public investment. Cooperating with government departments, it will put in hand work on the establishment of a schedule of infrastructure schemes of Community interest.

External relations in the economic and monetary field

10. The Community will be represented in its own right at forthcoming world economic summits; the Commission will make every effort to ensure that this participation is as effective as possible. The Commission will also endeavour to establish among the member countries a common position on international monetary problems. In particular, it will make a contribution to the definition of a common position for the Community at forthcoming meetings of the International Monetary Fund, when certain questions in connection with the seventh general review of quotas must be disposed of.

Further work on the medium-term guidelines

11. The Commission will send to the Council the results of the supplementary analyses carried out with a view to reviewing the guidelines established under the fourth medium-term economic policy programme.² Its submissions to the Council in the second half of the year will include proposals for economic projections with a 1983 horizon.

¹ Eleventh General Report, point 115.

² OJ L 101 of 25.4.1977; Eleventh General Report, point 118.

Coordination of the Community's financing instruments

12. The continued effort to improve coordination is part of the Community's programme for progressing towards economic and monetary union by devising the most effective general structural policy capable of meeting the need to reduce the regional and sectoral imbalances within the Community.

13. The following new items have therefore been introduced into the coordination activities for 1978 (Parliament and the Council to be given detailed information in the first half of the year):

- (i) as regards the *industries in difficulty* referred to in point 23, particularly steel, shipbuilding and textiles, special attention will be paid to defining the criteria and determining the methods of intervention to be used in restructuring and conversion in the regions concerned;
- (ii) with regard to action to *improve agricultural structures in the Mediterranean area* (see point 58), for which proposals have already been made and which requires the combined use of two different financing instruments, the Commission will ensure that this requirement is satisfied;
- (iii) there will be *closer cooperation with the national administrations* so that the various instruments to be brought to bear on structural problems (Regional Fund, Social Fund, EAGGF Guidance Section, EIB, ECSC credit and investment activities, borrowing and lending for structural purposes) can be combined and coordinated with national aids, particularly through integrated action programmes.

Community budget and financial control

14. There are two new features in this year's budgetary activities:

- (a) the 1978 budget is the first to be drawn up in European units of account;
- (b) this will be the first year of operation for the European Court of Auditors.

The 1978 budget was drawn up on the assumption that it would be entirely financed from own resources including, for the first time, VAT. Only two Member States—Belgium and the United Kingdom—were able to give effect to the sixth VAT Directive in time, so resources deriving from VAT cannot be allocated to the budget this year. An amending budget substituting transfers of GNP-based sums by the Member States for the above resources will therefore have to be submitted. The Commission believes that it should be possible for all Member States to implement the sixth Directive in time to allow own resources arising out of VAT to be made available from 1 January 1979.

15. With a view to the joint Council meeting of Foreign and Finance Ministers to be held on 3 April, the Commission intends to put to the Council some *general thoughts on budget policy for the next few years*. The idea is to set out exactly what role the budget is to play in drawing the Community closer together and enlarging it. The Commission advocates that, instead of the budget being a vast collection of piecemeal actions, it should be more selective and concentrate its approach. This would mean that, in clearly specified priority areas significant for integration purposes, the Community would gradually take financial responsibility (entire financial responsibility, if necessary) through the budget for policies and actions over which national authority would be genuinely relinquished and passed to the Community, thus lightening the burdens borne by national budgets. The Commission will make proposals on how to identify suitable areas.

16. The Commission will take further action to *control the collecting of all forms of own resources*. In particular, during the first half-year the Commission will be sending to the Council a proposal to introduce a procedure whereby the Commission will be regularly and systematically informed of irregularities resulting in Community revenue not being collected. The proposal is based on the existing procedure for irregularities in EAGGF expenditure.¹

Other general policies

Internal market

17. The prospect of success in the redeployment of Community industry is tied up with the attainment of a genuine single market; one of the major objectives of the five-year programme for economic and monetary union is to consolidate and strengthen this single market:

- (i) the Commission intends to be stricter in applying those provisions of the Treaty of Rome which prohibit measures having equivalent effect to quantitative restrictions on trade between Member States (Article 30 *et seq.*); the hundreds of infringements already reported to the Commission show that the temptation to switch economic responsibility back to the Member States is very strong, especially in the present economic situation, but in the longer term also;
- (ii) it also intends to push ahead with measures most likely to bring about the legal and economic framework without which a single market cannot exist—in the

¹ Council Regulation No 283/72: OJ L 36 of 10.1.1972.

management of the customs union, the removal of technical barriers to trade, company law, bankruptcy law and the law relating to industrial property rights; the main new initiatives here are outlined below.

18. The debate on *customs union* launched with the Commission's communication of 15 June 1977¹ will lead into a series of practical proposals to redefine the objectives of the customs union and to improve its operation, indicating the stages required to achieve this. These proposals, which will back up the policy of harmonization and simplification on which the Commission has already started, will reflect, among other things, the opinion which Parliament will be giving in March on the Commission's Communication on the state of the customs union.

19. As regards *company law*, although little progress has been made on proposals already pending, the Commission will, in accordance with its programme, put proposals to the Council during the first six months of the year for directives to coordinate Member States' laws on the qualification of auditors of company accounts and on corporate groups.

20. In the interests of industry and consumer alike, the Commission will be sending the Council in the first six months of the year a proposal for a Directive to harmonize the laws of the Member States on *pharmaceuticals advertising*. The Commission will endeavour to ensure that the draft *convention on the law applicable to contractual obligations* is signed in 1978; this convention will make for legal certainty in contractual relations in general and will provide for continuity of consumer protection in particular, by making the law of the consumer's country of residence applicable to the contracts he makes.²

Industrial structures

21. The events of the last two years have shown that individual States' determination to master certain sectoral problems has become something that could break up the common market, inasmuch as national restructuring of the sectors in question could cause the States to institute new protection arrangements. These problems call for policies framed at Community level. Community operations which up to 1978 have been mainly concentrated on urgent commercial-policy and market measures will now have to be focused

¹ Eleventh General Report, point 165.

² For the other proposals specifically concerning the promotion of consumers' economic and legal interests, see point 74.

on action on the structures themselves. This approach will take the form of the following moves (points 22 to 24), most of which are priority projects in the 1978 programme for economic and monetary union. Also of importance to Community industry, however, are energy and environment policy (energy saving, depollution, waste reprocessing) and external policy.

State of the sectors

22. Community action must be based on better knowledge of the present and probable future state of the industrial sectors: the Commission will be embarking in 1978 on devising *warning systems* for sensitive sectors and *sector instrument panels* for the analysis of sectors posing structural problems.

Crisis sectors

23. With regard to the industries hardest hit by the crisis, the Community must play a constructive part in their restructuring by making use of all the means at its disposal:

- (i) the drive for the rationalization of the *steel* and *shipbuilding* industries¹ will be pursued, by the submission of further proposals to the Council in connection with their stabilization and modernization and the regional redevelopment of the areas affected by the restructuring; the Commission's action on national aids will also be directed towards the same objective;
- (ii) the Commission will put proposals to the Council for helping the restructuring of certain *textile* sub-sectors (particularly man-made fibres) and improving the state of the Community *footwear* and *paper* industries.

Growth sectors

24. To offset job losses resulting from the restructuring of the declining sectors, it is necessary to stimulate the expansion of the growth sectors capable both directly and, more particularly, indirectly of creating new jobs in industry and in the tertiary sector (new forms of energy, aerospace, telecommunications, data processing, electronics). The Community must not neglect development opportunities which are moreover calculated to enhance its role of economic power in the growth industries in need of continental-scale resources and a continental-scale market. To this end the Commission means:

¹ Eleventh General Report, points 148 to 153.

- (i) in the first half of the year to present a *report on the growth sectors*, in accordance with the instructions of the European Council session on 5/6 December 1977;
- (ii) also in the first half-year, to propose a programme for the development of high technology in the *components* field in the context of further advance by the electronics industry in Europe in response to the needs of the data-processing and telecommunications industries;
- (iii) in the second half-year, to put proposals for the *development of telecommunications* in the Community and the opening-up of public sector purchases of this type of equipment.

Competition policy

25. Taking account of the current economic situation, the Commission, in its work on business conduct, will be concerned to protect and improve the consumer's freedom of choice by resisting any attempts at market segregation. As for State aids, it will see to it that their effect is not to preserve outdated structures and to export economic difficulties and unemployment from one member country to another. But where these aids are necessary, it will seek to ensure that they really do help to solve the Community's persisting structural problems and to restore the competitiveness of our industry both on the home market and internationally.

Restrictive practices and dominant positions

26. The Commission will clarify and update certain general rules and will take new measures to help small business:

- (i) in the first half it will amend Regulation No 67/67¹ (block exemption for certain *exclusive dealing agreements*) to clarify certain of the tests for its application;
- (ii) once it has received the Council's assent, requested in March 1977, it will amend Decision No 25/67² to adapt it to the new conditions on the common market for coal and steel and to extend, for certain *small-scale mergers* between producer and user companies, the exemption from the requirement of prior authorization under Article 66(3) of the ECSC Treaty;
- (iii) with a view to fostering cooperation between small and medium-sized firms, it will issue a notice on *subcontracting agreements* in the first six months of the year.

¹ OJ 57 of 25.3.1967.

² OJ 154 of 14.7.1967.

27. In view of the growing need for it and of the wish expressed by Parliament, the Commission will in the second half of the year send the Council a proposal for a Regulation under Article 87 of the EEC Treaty applying the rules on competition to air transport.

State aids

Industry aids

28. The Commission pays particular attention to industry aids, considering them in the light of the principles set out at point 25 above. With particular reference to the *steel industry*, the Commission is currently working in close cooperation with the Member States on a Decision under Article 95 of the ECSC Treaty to specify the forms of aid and intervention by the Member States that are permissible. It should be possible to adopt this decision, with the Council's assent, in the first half of the year.

Regional aids

29. In the first half of the year the Commission will redefine the *principles for coordinating* regional aids adopted in February 1975.¹ While maintaining the aid ceilings previously set as a percentage of investment costs, the new principles will introduce alternative ceilings expressed in absolute amounts per job created. Except in certain regions, these alternative ceilings will be available only up to a certain percentage of the total investment cost. The new principles will also extend and adjust the common method of assessing regional aids, in operation since 1971, under which certain types of aid are not measurable: the new method will enable all regional aids to be brought within the principles of coordination.

30. The Commission will continue its review of regional aid schemes currently operating in the Member States, and in particular the *German and British schemes*.

Public undertakings

31. The Commission has set itself the priority task of achieving a *clearer picture* of the relationships between public undertakings and the States which control them. It will take the necessary measures for this purpose under Article 90(3) of the EEC Treaty in the second half of the year.

¹ Ninth General Report, point 144.

Tax harmonization

32. In accordance with the 1978 economic and monetary action programme, the Commission's main concern will be to expedite adoption of the proposals already sent to the Council, particularly in the field of excise duties, but it also intends to lay before the Council new proposals in the following fields.

Direct taxes

33. In the first half of the year the Commission will make a proposal enabling the principles of the proposed Directive on the harmonization of corporation tax systems and withholding tax systems to be applied to *collective investment undertakings*.¹ In the second half of the year it will send to the Council a proposal on *personal income tax* in connection with freedom of movement for persons.

Tax avoidance (indirect taxes)

34. Further to its proposal on direct taxes, the Commission will send to the Council in the first half of the year a proposal concerning mutual assistance and *cooperation between national revenue departments* in the field of indirect taxes.

Financial institutions

35. The progress made in the Council in 1977 gives the Commission a sound foundation on which to base the following further measures.

Insurance

36. The Commission will transmit to the Council:

- (i) in the first half of the year, a draft agreement between Switzerland and the Community concerning the taking-up and pursuit of the business of direct insurance other than life assurance;
- (ii) in the second half of the year, a proposal for a Directive for the coordination of legal requirements concerning *insurance contracts*, the aim being to ensure better protection of insured persons and of beneficiary third parties;

¹ OJ C 171 of 26.7.1976.

- (iii) in the second half of the year, a proposal for a Directive relating to *canvassing in the field of insurance*, the aim of which will be the proper protection of the insured person at the time of the conclusion of the insurance contract;
- (iv) in the second half of the year, a proposal for a Directive concerning *compulsory specialization*, which is a requirement in one Member State for the insurance classes credit and suretyship, legal expenses and costs of litigation, and sickness insurance.

Banking

37. The Commission will send to the Council in the second half of the year:
- (i) a proposal for the harmonization in the Community countries of *requirements connected with compulsory winding-up* of credit establishments;
 - (ii) a proposal for a Directive designed to give proper effect, through certain measures of harmonization and measures to liberalize capital movements, to the right of establishment for institutions specializing in *mortgage credit*;
 - (iii) a proposal for a Directive relating to *canvassing in the credit establishments sector*, the aim being to lay down, for certain credit and savings transactions, rules ensuring better protection of customers.

Securities market

38. The Commission will present to the Council:
- (i) in the first half of the year, a proposal for a Directive concerning the *canvassing of securities*, the aim being to ensure better protection of savers;
 - (ii) in the second half of the year, a proposal for a Directive concerning *information* to be disclosed on a regular basis by issuers whose securities are quoted on a stock exchange.

Regional policy

39. The Commission is making every effort to ensure that the Council proceeds to the final adoption of the set of proposals it has made to give effect to the new regional policy guidelines,¹ including amendments to the Regulation relating to the European

¹ OJ C 161 of 9.7.1977; Eleventh General Report, point 265.

Regional Development Fund. In particular, it expects the Council to set up within the Fund a quota-free section for the financing of specific Community regional development operations. To carry out these operations, appropriate proposals will be presented by the Commission in the course of the year, one aim being to back up the action already proposed with regard to agricultural structures in the Mediterranean area.

40. Under the new regional policy guidelines, the Commission is planning the following measures this year:

(i) *A systematic assessment of the regional impact of the main Community policies*
The Commission's proposals under these policies will be made with proper regard to their impact on the regions; this may entail the establishment of correcting mechanisms where the impact would be harmful. For example, the Commission will examine the regional effects of policies being elaborated for the reorganization of industries that have run into difficulties (see point 23), and of the fisheries policy now being implemented. The Commission will also take account, when negotiating trade agreements and cooperation agreements with non-member countries and when preparing opinions on the accession of applicant countries, of internal repercussions, particularly on the regional economies and employment situations.

(ii) *Measures designed to promote more effective coordination of the national regional policies*
Within the Regional Policy Committee, the Commission will promote discussion and comparison of the guidelines contained in the national regional development programmes which the Member States send to the Commission for regions which may qualify for Fund aid.

Employment and social policy

41. The subjects for the next Tripartite Conference are:

- (i) examination of the opportunities offered for creating jobs by a better distribution of the work available;
- (ii) examination of the opportunities for creating jobs in the tertiary sector (including the public sector);
- (iii) examination, in relation to employment, of the constraints imposed by the international situation on the competitiveness of European industry;
- (iv) the relationship between investment and employment: examination of the conditions for the kind of growth that will create new jobs.

The Commission will report on these subjects to the Standing Committee on Employment and the Economic Policy Committee in the first half of the year; they reflect its main preoccupations with regard to employment. In this connection the Commission will take a number of measures (see point 43 *et seq.*), most of which come under the 1978 economic and monetary action programme.

42. The Commission will continue its work in regular contact with the two sides of industry. Furthermore, problems of employment in areas of stagnant demand will be discussed in the joint committees and at tripartite meetings.

European Social Fund

43. The revised Social Fund¹ is now in a better position to deal with the priorities adopted by the Commission by rendering possible intervention which is more direct and better suited to the employment situation; the Commission will also be making the administrative arrangements necessary to expedite such measures. After the decisions taken last year (concerning women and the least-favoured regions), which will be implemented this year, the Commission will send to the Council, during the first six months, a proposal concerning Community assistance, via the European Social Fund, to promote the employment of young persons and to strengthen the link between post-school training and employment. This proposal will be based on an assessment of the measures taken in the Member States.

Vocational training

44. The Commission intends to cooperate with the European Centre for the Development of Vocational Training in Berlin in order to increase aid and cooperation between the Member States in developing the institutions responsible for improving labour market equilibria.

Social aspects of restructuring and conversion in priority industries

45. The Commission is endeavouring to implement a consistent social policy for certain industries which are in difficulty. To supplement restructuring policies already formulated, particularly for *shipbuilding*, the Commission will propose social measures to help workers in these industries whose jobs are affected. Social policy will be an integral part of the restructuring and conversion policy which is being developed in the *steel* and *textile* industries (see point 23).

¹ Eleventh General Report, point 244.

Working conditions and social welfare

46. As regards the social protection of workers, during the second half of the year the Commission will send to the Council a proposal introducing an obligation on the part of management to inform and consult staff or their representatives, and during the first half of the year it will make a proposal for a Directive on the protection of workers in the event of the employer's bankruptcy.

47. As part of the action programme for *migrant workers*,¹ the Commission will lay before the Council a proposal designed to eliminate the obstacles which, in some Member States, still hinder migrant workers from exercising trade-union rights such as participation as trade-union delegates in the management of public bodies and the holding of public office (second half of the year).

48. As regards the *organization of work*, the Commission will transmit to the Council:

- (i) in the first half of the year, a proposal for a Directive on *night work* (to be accompanied, also during the first half-year, by a memorandum on *shift work*);
- (ii) in the second half of the year, proposals to give effect to the action programme on *health and safety at work* once it is adopted by the Council.

49. After the first meeting of the Ministers of Health, the Commission will send to the Council during the second half of the year communications on:

- (i) the *economic aspects* of measures in the health sector;
- (ii) what might be done at Community level to promote *health* education (on matters such as addiction to tobacco, abuse of stimulant drugs by sportsmen and nutrition), and *to combat certain transmissible diseases*;
- (iii) the advisability and practical possibility of introducing a *medical record card*.

Other activities

50. The Commission will lay before the Council, during the first six months:

- (i) a proposal on the second programme of *exchanges of young workers*;
- (ii) a second '*European social budget*' (1976-80), a document setting out the medium-term trends in social expenditure and the financing thereof in the Member States.

¹ OJ C 34 of 14.2.1976.

Sectoral policies

Energy policy

51. Mainly owing to the pace adopted by the Council in examining Commission proposals, it has not yet been possible to make as much progress as had been hoped by means of the Community action advocated by the Commission since the 1973 crisis towards the energy policy objectives which had been set. In 1978 the Commission's main efforts—apart from a number of new initiatives (points 52 to 57)—will be concentrated on getting the proposals already made adopted. In all, the Commission's intention is to:

- (i) make a particular effort to obtain agreement on its proposals for financial support for recognized priority projects: energy savings, alternative sources of energy, oil and gas exploration and the use of coal in power stations;
- (ii) assess, during the first half of the year, the results of the public hearings on nuclear energy which it organized in December 1977 and January 1978; its conclusions will be sent to the Council and Parliament;
- (iii) devote itself, in the interest of effectiveness, to ensuring that the Community can speak with one voice both in the worldwide energy debate and in its relations with suppliers and other consumers.

General

52. On the basis of its second report (issued in 1977) on the achievement of the Community's energy policy objectives for 1985,¹ the Commission will be analysing *both national and Community measures* directed towards these objectives. A communication on this subject will be sent to the Council in the second half of the year, to be followed up by proposals for *energy policy objectives for 1990*.

53. As part of its campaign to promote *energy savings* the Commission will take steps to make consumers aware of the problem and to develop instruments to achieve these savings. To this end it will transmit to the Council:

- (i) during the first half of the year, a proposal for a Directive on the labelling of electrical household appliances and a proposal for a second Directive on the performance, maintenance and regulation of heat generators;
- (ii) during the second half of the year, a number of new proposals concerning *buildings, motor vehicles, domestic appliances and industry*.

¹ Eleventh General Report, point 385.

54. As regards *energy prices*, the Commission will send communications to the Council on the following subjects in the second half of the year: is the structure of prices compatible with the Community's energy-saving objectives? Does it promote balance between the various energy sources which make up supplies to the consumer? Is it possible with this structure to finance the necessary investments?

Individual sectors

55. In the absence of a Council decision on its proposals for *oil refining*, the Commission will send the Council a communication in the first half of the year on Community action aimed at an improved balance between supply and demand.

56. As regards the supply of *nuclear materials*, the Commission will:

- (i) study the problems arising from application of *Chapter VI* of the Euratom Treaty and seek appropriate solutions;
- (ii) make proposals concerning *exploration* outside the Community (second half of the year);
- (iii) make a proposal on a nuclear fuel *stockpiling* policy (second half of the year).

57. In the field of *external relations in nuclear matters*, the Commission will seek further cooperation with *countries now supplying* the Community with nuclear materials. Together with forty other countries and international organizations, the Commission will also be participating in the International Nuclear Fuel Cycle Evaluation programme (*INFCE*). In relations between Euratom and the International Atomic Energy Agency the Commission will continue to implement the procedures for applying the Verification Agreement.

Common agricultural policy

58. In 1978 the Commission's principal concern is to have the Council adopt the proposals made at the end of 1977 concerning:

- (i) a cautious price policy and the restoration of the balance between supply and demand on markets with structural surpluses;
- (ii) improved market organizations for the products of the Community's Mediterranean regions and improved agricultural structures for these same regions;
- (iii) the adaptation of the socio-structural directives to the needs of the economic situation and the preparation of new measures to help solve structural problems in certain less-favoured areas;

- (iv) the elimination of obstacles to a single market—for example, monetary compensatory amounts (see 1978 economic and monetary action programme).

The Commission will also take the following new initiatives.

59. As regards markets, the Commission will make a definitive proposal for the organization of the market in *sheepmeat*. In the light of the Council's discussion of the Commission report on *beef and veal*,¹ the Commission will make detailed proposals on what changes should be made to the common organization of this market.

60. As regards the *approximation of veterinary legislation*, the Commission will make proposals between July and December concerning:

- (i) the campaign against swine fever;
- (ii) medicinal feedstuffs.

Fisheries policy

61. Commission action will be along three main lines:

- (i) to obtain Council approval of the main points of the Community system for the conservation and management of fishing resources;
- (ii) to review the common organization of the market in fishery products for any adjustments required by the new fishing conditions;
- (iii) to complete the programme of international agreements begun in 1977.

International negotiations

62. To secure Community access to traditional fishing areas, the Commission will continue *bilateral negotiations* for agreements with the non-member countries concerned.

63. At *multilateral level*, the Commission will make the necessary proposals for the adaptation of certain international fishery conventions to the new situation and for strengthening international cooperation on the conservation of resources.

¹ Bull. EC 10-1977, point 2.1.49.

Transport policy

64. Under the priority action programme for 1978-80,¹ of which the Council took note at its meeting on 20 and 21 December 1977, the Commission will press for the adoption of the proposals pending on infrastructures, the operation of the transport market and relations with non-member countries.

65. The Commission will present the following proposals during the first half of the year:

- (i) harmonization of conditions of competition:
 - an amended proposal on the *weights and dimensions* of commercial vehicles,
 - a proposal for methods of *compensating for tariff obligations* not yet covered by existing legislation;
- (ii) inland waterways:
 - a proposal for the setting-up at Community level of a *European Laying-up Fund* for Inland Waterway Vessels.

66. It will transmit the following proposals during the second half of the year:

- (i) operation of the surface transport market:
 - a proposal on the *monitoring* of road haulage *capacity*,
 - a proposal on serious *disturbances* of the market,
 - proposals to promote *combined transport* (for example, road and rail) at Community level;
- (ii) shipping:
 - a proposal concerning *competition from State-trading countries*.

Research and science policy

67. The Commission considers it a matter of priority to implement the Council Decisions on the Joint Research Centre's multiannual (1977-80) programme and the thermonuclear fusion programme,² the continuance of which is now assured, the Council having agreed in October on the site on which the Joint European Torus, a large thermonuclear fusion experimental device, will be installed. The Commission will also endeavour to

¹ Eleventh General Report, point 362; Bull. EC 11-1977, point 2.1.85.

² Eleventh General Report, points 417 and 425; Bull. EC 7/8-1977, points 2.1.111 and 2.1.112.

obtain the adoption of a large number of proposals referred to the Council during the second half of 1977, especially the draft guidelines for a common science and technology policy for 1977-80 and the measures concerning 'nuclear strategy'¹ in the three important areas of fuel reprocessing, radioactive waste and fast reactors. In addition the Community, having undertaken various programmes of action to cope with altered circumstances, is more and more pursuing research objectives that stem directly from those programmes. This applies to thermonuclear fusion and to the JRC's multiannual programme, and will apply in such sectors as energy and environment, which will be the subject of Commission research proposals this year.

68. During the first half of the year the Commission will send to the Council proposals on the following subjects:

- (i) the statutes of the Joint Undertaking which is to be set up for the execution of the *JET project* at Culham, United Kingdom, and the corresponding proposal for the allocation of funds and personnel;
- (ii) the multiannual programme of indirect-action projects on *light-water reactor safety*;
- (iii) the third multiannual (1979-83) programme of indirect-action projects on *reference materials and substances*, which calls for action by the Community Bureau of References;
- (iv) the second multiannual (1979-83) programme of indirect-action projects on *research in energy fields other than nuclear*;
- (v) the first multiannual (1979-82) programme of indirect-action projects on the *decommissioning of nuclear reactors*;
- (vi) multiannual (1979-82) programme of indirect-action projects on *secondary raw materials*, such as non-ferrous metals and industrial and agricultural effluents (recycling, recovery, etc.);
- (vii) the second three-year programme in the *textile sector*, the aim of which is to improve technology in this industry and to support the structural measures (point 22). It will also finish negotiating an agreement for cooperation between *Euratom and Switzerland* in the field of controlled thermonuclear fusion and plasma physics; the negotiations were held up in 1977 by postponement of the decision on the JET.

69. During the second half of the year the Commission will propose to the Council:

- (i) a second series of concerted-action projects in the *medicine and public health*

¹ Eleventh General Report, points 410 and 418.

sector, which will back up the Commission's ideas about future action on health matters (point 49);

- (ii) a first multiannual (1980-83) programme of indirect-action projects on *climatic disturbances*, their dependence on human activities and their effects on the hydrological cycle;
- (iii) a project to stimulate research in the field of *real-time data-processing* and some lines of action on the use of *data-processing networks*.

In the same half-year it will send the Council a comprehensive report on the principal sectors where research might be done on *life in society*—for instance, studies on the problems which face a society in the process of integration, studies of the reactions of society to the introduction of new technologies, and perhaps, some draft projects in that field. At the same time, the Commission will introduce a new phase in the work started in 1977 on the subject of *'European society and its interactions with science and technology'*.

70. Lastly, the Commission's activities in the field of scientific and technical information and information management will be marked by the entry into service of *Euronet* (the European telecommunications and scientific and technical information network) in every Member State at the end of the year.

Improvement of statistics

71. The Commission will send to the Council in the first quarter of 1978 a *fourth statistical programme* of the European Communities (for 1979-81). One of the aims of the programme will be to find a better equilibrium between the statistics giving an updated picture of the changing economic and social situation and those the purpose of which is the description of structures. The prospect of a further enlargement of the Community will be taken into account.

II - The European citizen and his environment

72. With the prospect of direct elections to the European Parliament in the near future, the Commission's main concern will be to stress the role and involvement of the Community in the lives of its citizens and, conversely, the role which the citizen can and should play in the life of the Community. This ongoing concern—evidence of which is given by appropriate information programmes—finds practical expression in the development of specific measures of direct consequence to the citizen—e.g., the promotion of consumer interests, environment policy, education and cultural and personal exchanges.

Promotion of consumer interests

73. As regards the *physical protection of consumers*,¹ the Commission will send to the Council (in the second half of the year) a proposal for a Directive on the safety of toys—accompanied by technical standards—and will make a proposal for Community action to gather information on accidents in the home caused by the use of certain products.

74. On the promotion of the *economic and legal interests* of consumers, proposals for Directives on unfair terms in contracts, premium offers and the informative labelling of textiles will be sent to the Council in the second half of the year.

75. Lastly in the field of consumer *information*, the Commission will send to the Council in the second half of the year a proposal for a Directive on the unit pricing of household products; this will supplement—for the non-food sector—the proposals already before the Council.

Environment policy

76. The Commission will concentrate on the following priority themes:

- (i) water management,

¹ See also point 20.

- (ii) the environmental impact of chemicals,
- (iii) noise abatement,
- (iv) prevention of environmental degradation,
- (v) nature conservation.

Water management

77. As regards the control of water pollution, the Commission will send to the Council in the second half of the year:

- (i) a proposal for a Directive on *measuring* methods and sampling frequency,
- (ii) a proposal for a Directive on the quality of *water for agricultural use*.

The Commission will also lay before the Council, in the second half of the year, proposals for Directives on certain particularly harmful pollutants. In addition, if the negotiations now under way are successful, the Commission will ask the Council to take a decision for the Community to sign and subsequently conclude the Protocol on the Protection of the Mediterranean Sea against *Pollution from Land-based Sources*. In the second half of the year the Commission will make a proposal for a Directive on systems of *imposing charges* for polluting water.

Environmental impact of chemicals

78. In the first half of the year the Commission will send to the Council the proposal for a Directive on the control of certain *hazardous industrial activities* in which highly toxic and persistent substances are used. As regards the impact of new substances on man and the environment, the Commission will, in the first half of the year, make the necessary preparatory moves for negotiations with the US Environmental Protection Agency for the *mutual recognition* of the laboratories and data covered by American legislation and by the Community Directive which has already been sent to the Council. In the first half of the year, the Commission intends to set up a Scientific Advisory Committee on *Toxicology*.

Noise abatement

79. In the second half of the year the Commission will make two new proposals on *household equipment* and certain types of *construction equipment*. It will also send in the same period a Recommendation on the reduction of noise caused by *light propeller aircraft*.

Prevention of environmental degradation

80. In the second half of the year the Commission will report on the procedures

adopted in the Member States for *assessing the environmental impact* of measures likely to have such an impact.

Nature conservation

81. In the second half of the year the Commission will present proposals for the application throughout the Community of the Washington Convention on International Trade in Endangered Species of *Wild Flora and Fauna*.

Education, the arts, promotion of exchanges

82. As part of the action programmes on *education*¹ the Commission will undertake, during the second six months, a number of new measures: pilot schemes concerning the education of the children of migrant workers, back-up measures for joint study programmes in higher education, and pilot schemes on preparing young people for the transition from school to work.²

83. The Commission will propose that the programme now under way be expanded to include new projects such as those to improve the teaching of modern languages and the mobility of students in higher education (second six months).

84. In implementing its Communication of 22 November 1977³ on Community action in the *cultural* sector, the Commission will send to the Council proposals on such matters as combating thefts of works of art, the resale rights of creative artists in the field of the plastic arts, and different spheres of copyright (second six months).

85. The Commission will also send a proposal to the Council on the setting-up of a *European Foundation*.⁴

Freedom to engage in professional activities

86. The Commission's aim here will be to secure adoption by the Council of a number of proposals for directives already before it, notably those concerning architects, dentists and veterinary surgeons.

¹ Adopted on 9 February and 13 December 1976 by the Council and the Ministers of Education meeting within the Council (OJ C 38 of 19.2.1976 and C 308 of 30.12.1976).

² Point 43 of this Memorandum.

³ Bull. EC 11-1977, points 1.4.1 to 1.4.4; Supplement 6/77 - Bull. EC.

⁴ Supplement 5/77 - Bull. EC.

Information

87. The main aim of information policy in 1978 will be to reach as wide a public as possible in an attempt to ensure that people of all kinds in the Member States are sufficiently aware of the scope, impact and current status of European integration. Information on European affairs is a 'must' if the European venture is to gain the support of the man in the street. Efforts in this direction will be stepped up as the date for the first direct elections to the European Parliament approaches.

88. The attempt to reach a wider public will affect both the content and presentation of the information.

89. As far as *content* is concerned, two general rules will be applied: close coverage will be given to Community 'events' in an attempt to make the most of what is happening on the political scene, and efforts will be made to involve members of the public throughout the Community by dealing more with the specific issues being discussed in the different Member States and by concentrating more on regional problems.

90. As far as *presentation* is concerned, this new approach will mean focusing most of the effort on the mass media. Particular attention will be given to cultivating relations already established with the radio and television networks in the Member States.

91. Efforts in other directions will also be concentrated on media giving access to as wide a public as possible. On the multiplier front this means that attempts will be made to involve women's organizations, consumer associations and trade unions. Publications will also be aimed at as large a cross-section of the public as possible, while at the same time being geared to the issues specifically affecting the different regions and Member States.

92. From the *organizational angle* this approach will necessarily involve consolidating the role of the Information Offices in the Member States. The possibility of stepping up regionalized information will also be investigated. In this connection it is worth mentioning the plan to open shortly a new Information Office in Northern Ireland.

93. Although the Commission will be concentrating its efforts inside the Community, it will none the less continue its information activities in non-member countries. Particular attention will be paid to the applicant countries, and Information Offices are to be opened in Madrid and Lisbon in the course of the year.

III - Europe in the world

94. The economic difficulties facing the Community are shared in varying degrees by the whole of the international community and, by adding to them, are considerably aggravating the structural problems of the Third World. It is important that the solutions being sought should take account of these facts. The Commission is therefore striving to maintain and tighten the Community's links with other countries so that these difficulties are not exported from one country to another. To this end, it is trying to make progress wherever this proves possible in the context of its policy towards both the industrialized and the developing countries.

95. This Chapter sets out the main activities that may lead to *new Community initiatives vis-à-vis* the outside world, whether in connection with the GATT multilateral negotiations, the future negotiations for the renewal of the Lomé Convention or the dialogue with the United States and with Japan. It should be pointed out, however, that to quite a large extent the Commission will be engaged in implementing important projects of which the principles have already been adopted—for example, financial aid to non-associated developing countries, new forms of food aid more closely linked to development policy (Phase II of Operation Flood in India), application of the textile agreements—and in pursuing cooperation activities already started, such as those under the Euro-Arab Dialogue.

The multilateral framework

96. Implementation of the programme adopted in 1976 within the framework of UNCTAD¹ will necessitate a contribution from the Commission to help establish joint Community positions in a number of important sets of negotiations:

- (i) meeting of the Trade and Development Board in March 1978, at which particular attention will be paid to the question of the indebtedness of the developing countries and the specific problems of the poorest among them;

¹ Tenth General Report, point 475.

- (ii) preparation of world agreements on the commodities covered by the Integrated Programme provided for in Resolution 93(IV),¹ such as rubber, hard fibres, jute, tropical wood and copper;
- (iii) preparations for the conference on the negotiation of an international code of conduct for the transfer of technology, which will be held at the end of 1978.

97. Following the adjournment on 1 December last of the *Conference on the establishment of a common fund* for the stabilization of raw materials,² the Commission will be doing its best to take, in liaison with the Member States, any initiative required to find a satisfactory solution to this problem (also see point 105). Lastly, the Commission will be making its own contribution to the study undertaken by the *IMF/IBRD Development Committee on the stabilization of export earnings*.

98. The work that will be undertaken by the *United Nations General Assembly* at its thirty-third session will require Community positions to be adopted both on matters for which the Community is responsible and on those that are of special interest for the common market and continued coordination of the political aspects among the Member States.

99. In accordance with the timetable adopted in July 1977, the Commission will make every effort to help bring to a satisfactory conclusion in 1978 the *multilateral trade negotiations*, which entered their final stage last January; this is in the interest both of the Community and of multilateral economic relations in general.

100. In accordance with the directives approved by the Council at its meeting on 5 and 6 December,³ the Commission will pursue the international negotiations on the application of certain guidelines on the terms of *export credits* for non-member countries backed by the public authorities.

101. The next session of the United Nations Conference on the *Law of the Sea* will begin in March. In the face of a possible break-up of the Conference the Community will have to try to play a moderating role in order to ensure that a genuine law of the sea is established and to prevent a proliferation of unilateral measures.

102. For the fisheries sector, see points 62 and 63.

¹ Eleventh General Report, point 484.

² Eleventh General Report, point 471.

³ Bull. EC 12-1977, point 2.2.29.

The Community's policy with regard to the developing countries as a whole

103. The Commission attaches much importance to harmonizing the *Community's development cooperation policy with its other policies*.¹ On the basis of the preliminary conclusions that it has transmitted to the Council on the internal and external aspects of the Community's policies, the Commission will be presenting a final report to the Council during the first half of the year. This study will point up the basic problems, which will then be the subject of separate proposals in the second half of the year. The Commission will make sure that all groups concerned in the business and labour worlds are consulted.

104. In 1978 the Commission will maintain and consolidate the policy adopted in 1977 towards the *generalized system of preferences* for the developing countries. This policy consists of providing differentiated treatment in order to take account of the degree of competitiveness and development of the beneficiaries and to benefit the least-developed countries more.

105. During the first six months the Commission will transmit proposals to the Council with a view to *protecting and promoting investments*, particularly those concerned with raw materials.

106. In accordance with the directives which it has received from the Council, the Commission will negotiate a new agreement on cereals which should provide for increased *food aid* from the Community in the form of cereals.

Latin America

107. Our relations with Latin America are bound to intensify, given its economic dynamism and its historical links with Europe. At bilateral level, exploratory talks on an enlarged cooperation agreement are due to open very shortly with *Brazil*, while cooperation with *Mexico* will be stepped up under the existing agreement. In addition, the opening in Caracas of the new headquarters of the *Commission Delegation for Latin America* will enable the links with the various countries and organizations involved in integration, including the recently established SELA (Latin American Economic System), to be strengthened.

¹ Eleventh General Report, point 464.

Asia

108. The Commission notes that there is a widespread realization in southern and south-east Asia of the need for closer cooperation with the Community. The Community will do all it can to help the member countries of the Association of South-East Asian Nations (ASEAN) make progress towards integration. The EEC-ASEAN meeting to be held at ministerial level at the end of 1978 will enable actual projects to be worked out. In the case of *Bangladesh*, *Pakistan* and *Sri Lanka*, the preliminary work that has been done in the Joint Commissions should lead to the first concrete steps by the Commission with regard to those countries. Lastly, as it recently did for *Burma*, the Commission will undertake fact-finding missions at the request of *Afghanistan* and *Nepal* to examine how best to develop closer links with the Community.

Regional agreements

109. Following the ratification of the cooperation agreements with *Israel* and with the *Maghreb* and *Mashreq* countries, in the first six months the Commission will transmit proposals to the Council for the first review of the Mediterranean agreements. In this respect, the opening of delegations in the Maghreb and Mashreq countries and in *Israel* will be of considerable importance.

110. Activity in all the areas covered by the *Lomé Convention* will continue to be intensified. As required by the Convention, the negotiations on its successor will start in September 1978. With this in view, the Commission will transmit the first proposals for a negotiating brief in the first half of the year.

European Mediterranean countries

111. The Commission will present appropriate proposals concerning *Turkey*, in accordance with its obligations under the Additional Protocol and in the light of the statements made by the Turkish authorities—notably concerning cooperation—at the last ministerial session of the Association Council.¹

112. There should also be further developments in trade relations with *Spain*, with the extension of the existing trade agreement.

¹ Tenth General Report, points 504 and 505.

113. The Commission will negotiate a cooperation agreement with *Yugoslavia* to replace the trade agreement expiring in 1978.

EFTA countries

114. The Commission is working on a positive response to be made to the EFTA countries' request for closer relations with the Community. It will be attentive to the implications which the enlargement of the Community will have for the EFTA countries, in accordance with the undertakings to be given them in the accession negotiating briefs.

Other industrialized countries

115. As regards the *United States*, the spirit of cooperation which has already made itself felt at the regular high-level consultations between the Commission and the Carter Administration, and was evidenced by President Carter's visit in January, will prove particularly valuable in view of the bilateral and multilateral problems facing both sides in 1978. These include problems connected with the US energy programme and structural problems such as steel, the Multilateral Trade Negotiations, the North-South Dialogue and work in the nuclear sector (see also point 57).

116. The Commission will continue and step up its consultations with *Japan*, one of the most important world trading partners. The Community's growing deficit on trade with Japan will be among the topics discussed at the high-level consultations to be held in 1978. The Commission will be monitoring very closely emergency measures introduced by the Japanese Government to reduce Japan's current account surplus. The Joint Group of Experts set up following President Jenkin's visit to Tokyo in October 1977 will continue the detailed analysis of the conditions governing access for Community products to the Japanese market in sectors where sales could be increased. At the same time the Commission will continue to press the Japanese authorities to remove the country's administrative barriers to trade.

117. At the meeting of the Joint Cooperation Committee to be held in Ottawa in March 1978 the Community and *Canada* will systematically review the progress made during the first year of the Framework Agreement for Commercial and Economic Cooperation. This meeting will provide an opportunity to take stock of all the items listed in the work programme adopted in December 1976 and will give fresh impetus to efforts to extend and improve the cooperation activities originally planned.

State-trading countries

118. The Commission will endeavour to complete the preparations for the conclusion of a trade agreement with China.

119. Following talks between the Commission and the *Council for Mutual Economic Assistance*, the two sides agreed to begin negotiations during the first half of 1978.

IV - Enlargement of the Community

120. As regards the negotiations with *Greece*, the Commission intends to make proposals to the Council for the forthcoming stages of the negotiations in the individual sectors. In the first half of the year proposals will be made on the customs union for industrial products, capital movements, the ECSC and external trade in industrial products. Agriculture might be included, but in view of the present state of preparations the final decision will not be taken until March. For the other sectors additional proposals will be made during the second half of the year. The Commission will also continue examining Community secondary legislation with Greece.

121. The Commission has started preparing its Opinion on *Portugal's* application to join the Communities, which it plans to lay before the Council during the first quarter of the year.

122. The Commission is working on an Opinion on *Spain's* application for membership, which it intends to present to the Council at the end of the year.

123. The Commission is continuing its parallel study of the *general problems* connected with the enlargement of the Community. It plans to send an overall communication on this subject to the Council during the first quarter of the year.

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This booklet contains the annual programme address delivered by the President of the Commission and the memorandum annexed to it. The address and memorandum relate to the Commission's programme for the year ahead. They are presented to Parliament at the same time as the General Report on the past year.

