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**Programme  
of the Commission  
for 1985**

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

Strasbourg, 12 March 1985

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## contents

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Introduction of the Commission's programme for 1985 by the President of the Commission of the European Communities	5
The Commission's programme for 1985	9
<i>PART ONE: THE SALIENT FEATURES</i>	10
<i>Introduction</i>	10
<i>Working for economic recovery</i>	10
Exploiting the potential of a large market	11
Growth and employment	13
<i>The Community and the world</i>	14
<i>Preparing for the future</i>	15
The future of European agriculture	15
Development of less-prosperous regions	15
A strategy for research and innovation	16
A Europe-wide environmental policy	16
<i>Europe and the man in the street</i>	16
<i>The future of the Community system</i>	17
<i>PART TWO: THE PROGRAMME</i>	19
<i>Internal market</i>	19
Decomartmentalization: a large barrier-free market	19
Harmonized rules	20
Business cooperation	22
Summary	23
<i>Convergence: an economic policy objective and instrument in promoting employment and growth</i>	25
Principles	25
Macroeconomic policy: the search for a better mix	25
Safeguarding vigorous investment beyond 1985	26
Reinforcing employment policies: labour market and adaptation of working time	26
Higher growth and employment: Commission action to foster convergence	27
Monetary cooperation in the Community	28
Summary	28
<i>The European social area</i>	30
Organization	30
Cooperation (information, training, education)	31

Social policy measures	31
Summary	32
<i>Building the Community</i>	33
Agriculture	33
Fisheries	35
Forestry	35
Industry	35
Research and development	38
Energy	38
Transport	39
The regions	40
Environment	42
Consumer protection	43
Summary	44
<i>External relations</i>	46
The Community and the world	46
Multilateral relations	46
Community/United States/Japan relations	47
Our immediate neighbours in Europe	47
Our other partners in the world	48
Special relations with developing countries	49
Summary	50
<i>The cultural and human dimension</i>	52
Promoting European identity	52
Promoting the European ideal	53
Summary	54
<i>Sound management by an efficient European civil service</i>	55
<b>Reply of the President to questions put by Members of Parliament during the debate</b>	<b>57</b>

**Introduction of the Commission's programme  
for 1985**

Introducing the Commission's programme to Parliament on the morning of 12 March, Mr Jacques Delors, President of the Commission, concentrated on four key issues.

'I do not propose to review all the elements of this programme, particularly since it makes reference to the three missions entrusted to the Commission. The first is *to manage*. You know that the Commission has special responsibilities in this respect and concrete examples are given in the programme. The second is *to advance* where the Treaty so provides in directions not yet defined. The third is *to innovate*, in other words, to find ways and means of restoring to Europe the vigour which you and we would like it to have.

I propose instead to concentrate on four issues which seem to me to illustrate the difficulties confronting the Community and the institutional issues which Parliament has raised with so much intuition and daring.

I will speak in turn then about enlargement as an illustration of these problems, about the uncertain world economy needing a strong and active Europe, about the economic revitalization which is absolutely essential if Europe is to fulfil its role and, last but not least, about the institutional problem which is at the heart of the debate on the Community's long-term future ...'

### Enlargement as an illustration of our problems

Mr Delors considered that the Community and Spain and Portugal had never been so close to agreement. He reminded the House that the global proposal presented by the Commission should speed a final solution.

'It left little margin for negotiation but did reflect reality if there was a willingness to soothe susceptibilities and establish that the Ten's reservations about the next phase of the negotiations are no more than a reflection of the difficulties they are experiencing themselves. I need only cite the problems posed by fruit and vegetables and fisheries—remembering the painful compromise which led to agreement on 'Blue Europe'. We made a global proposal because we were convinced that another six months would do nothing to advance matters ...

But the enlargement issue has revealed a tension in Europe which is, let's face it, a tension between North and South. It stems not only from financial problems but from a lack of understanding, from a clash of cultures, which seems to be prompting certain countries to turn their backs on the solidarity pact which should be one of the cornerstones of the Community, solidarity being conceived not in terms of assistance, but rather as an expression of the common weal, contributing to the vigour of the European entity ...

The enlargement debate has demonstrated the consequences of the abuse of what I would term "linkage diplomacy". As long as each country makes accept-

ance of a larger and larger package conditional on solutions to other issues, there will be no progress. You have seen this for yourselves. You have, for instance, pointed on many occasions to the impossibility of progress towards a realistic budget for 1985 ...'

### A strong and active Europe

'We suggest two main approaches in our programme. The first is to say to our partners that there can be no solid progress towards a more efficient and equitable world economic order unless monetary problems, financial issues and commercial questions are discussed together. It would be futile, for example, to tackle trade issues in isolation and expect the rest to fall into place ... We must resume our journey because we cannot plead for a more stable, better-organized world monetary system and at the same time shirk responsibility for co-managing this system. We must promote the ECU as an international reserve asset ...

[The second approach involves recognizing that] a world economy enjoying steady growth for the benefit of all will remain elusive unless the South assumes its share of the responsibility for economic growth instead of eating the crumbs that fall from the North's table ...'

### Restoring Europe's economic vigour

'The third issue I would like to discuss is the importance of Europe regaining its economic vigour ...'

### A Community-wide market

Mr Delors announced that the Commission would be presenting a detailed timetable before the end of May for achieving a large internal market by 1992. It would see to it that this timetable was endorsed by the European Council.

'A political commitment on the part of the Heads of State or Government is vital if progress is to be made on the various dossiers in due course. Clearly we will need time to prepare this timetable. Parliament will have to take note of it. And we will be asking the European Council to make a formal statement on this commitment to a large market and on intermediate steps along the way.'

### High technology as an element in Europe's competitiveness

'If it is prepared to leave fruit and vegetables and fisheries aside—and assuming that the Foreign Affairs Council does its homework—the next European Council will only have to deal with a report containing no more than five proposals. But these five proposals should enable us to make progress, notably on steps to a Community-wide market and on telecommunications, a key component of European industry

today, the lifeblood of the European economy tomorrow ...'

### *Revival of the social dialogue*

'We have taken the daring step of convening a meeting between the two sides of industry, between Europe's big employers and the unions. This was held at the end of January. Without wishing to create a storm I can tell you that, to judge from the outcome, employers and unions are more keenly aware of Europe's potential and the dangers of opting out than are the governments of the Ten. Let me give you just three examples.

Firstly, employers and unions are more or less agreed on their diagnosis of the crisis. More than that. They accept that it is important for the European economy to hold down costs in order to be competitive, but they agree that if this is carried too far it will weaken domestic demand and stultify economic growth. A compromise has to be found between holding down costs and sustaining demand within the Community ...

Secondly ... a framework agreement is on the cards—it could be a matter of years or possibly even of months—an agreement which would revitalize our labour markets and help reconcile the constraints of production and the aspirations of the workforce, varied as they are, including the adaptation of working time.

And lastly, a third encouraging factor is that, in addition to the agreements already in force in certain countries, employers and unions are ready to sit down together at Community level to discuss an approach to the new technologies and to consider ways of providing workers on the shop floor with the chance of retraining to ensure that technological progress, rather than creating alarm and despondency, is accepted for the new job opportunities it can bring ...'

### *Advancing on all fronts*

'Instead of the host of provisos laid down by individual countries on individual issues, common sense dictates that we should advance together on all fronts:

the European Monetary System; the Community-wide market; and economic revival. This has to be the answer if we want to regain confidence and if, instead of arguing among ourselves about whether we want more by way of money supply controls or more by way of action to boost the economy, more structure or less structure, we are to achieve the synthesis needed to put new heart into the people of Europe and everyone involved in the economic and social life of the Community. We intend to make "moving forward together" our theme and urge it on the European Council and our ten governments ...'

### *The institutions*

'Meanwhile we must make progress. And we hope to do so by virtue of our contacts with the two sides of industry and the quality of the proposals we present but also—and I would stress this point—even better working relations with Parliament. Need I say that I stand by the five proposals I made to you on 14 January, to which, I am sure, you will want to reply. I am particularly keen on one of these, namely the idea that Parliament, vast forum for discussion that it is, should take the initiative, select two or three subjects for examination and prepare a proposal for us to work on ...

All of this highlights the key importance of the Milan European Council. Things being what they are, there must be some frank, straightforward talking. After Parliament's draft Treaty and the work of the Dooge Committee, it is the European Council's turn to have a cogent, clear-sighted discussion on ways and means of improving the European decision-making process and advancing in selected areas. In any event, you can rest assured that, here as elsewhere, the Commission will face up to its responsibilities in the light of the Dooge report.

It will play its part in attempting to clarify a number of complex problems, such as majority voting, the right of veto, and differentiation. And it will do so by drawing on the amalgam of idealism and realism underpinning the ambition I explained to you last time round, namely to serve with you as guardians of the European public interest.'

**The Commission's programme for 1985**



## The salient features

### Introduction

1. The goals at the heart of the Commission's programme are a measure of its ambitions for Europe. The Commission urges Parliament to support these goals and win maximum acceptance for them by the political and social forces it represents.

These goals are four in number:

(i) To strengthen Europe's economic structures by making sure that the Community exploits the potential of its large market to the full, assumes all the obligations arising from the accession of Spain and Portugal and turns the tide of unemployment which has risen remorselessly over the last 15 years.

(ii) To transform the Community into an influential actor on the world stage, with a personality of its own, the ability to defend its interests, and the internal cohesion necessary to promote a European model for organizing a new equitable and efficient world economic order. In this context the Community seems to be in a position to assess the extent of the challenges facing Europe in terms of changes in the balance of power and developments in science and technology.

(iii) To make Europe tangible for its citizens through the content of its policies, integration of the Community into their national culture and involvement of active elements of European society in shaping the future suggested to them by the Commission and Parliament.

(iv) To set the Community on the road to European Union by going beyond the intrinsically economic blueprint of the Treaty of Rome and redirecting the Member States to their original ambition which was 'to lay the foundations for institutions which will give direction to a destiny henceforward shared'.

The Commission's programme, which is in keeping with the key medium-term guidelines its President presented to Parliament on 14 January, will be implemented in a climate dominated by a number of pressing problems:

(i) First of all there is the budget problem. The Community's own resources under the unchanged 1% ceiling will not be sufficient to cover the expenditure deemed necessary by the two arms of the budgetary authority. The Coun-

cil, caught in the web of preconditions imposed by a number of Member States, has so far failed to agree to give the Community the resources it needs to discharge its obligations throughout 1985.

The Commission is determined—as it has already shown—to manage the common policies with the utmost severity and is taking steps to tighten its own financial control. It cannot accept the Council's inaction much longer.

It would be more than happy if agreement on financing the 1985 budget were to be facilitated, over the next few days, by the successful conclusion of the accession negotiations with Spain and Portugal. But, whatever the outcome, it considers that the Council has no right to deny the Community the means of honouring commitments resulting from its own legislation.

(ii) This year's programme should be the last for the Community of Ten. Negotiations for the accession of Spain and Portugal on 1 January 1986 could be wound up in the next few days. The Commission has presented a comprehensive proposal to the Council covering all outstanding issues. All the constituents of the final package are therefore on the table. Agreement will no doubt mean sacrifices on all sides. But the time has come to go beyond oft-proclaimed political intentions to decisions that will turn words into deeds. If these are not taken, we will have to resign ourselves to further delays that will finally rule out any prospect of enlargement on 1 January 1986 and rebound on the timetable for ratification of new own resources.

(iii) Finally, 1985 will be dominated by the need for European economies to press ahead with the restructuring begun in industries such as shipbuilding, motor vehicles, textiles and, last but not least, steel, where decisions to be taken in the near future will be decisive for the cohesion of the common market.

### Working for economic recovery

2. The mediocre performance of the European economy in terms of growth and employment over the last 15 years has cast doubts on Europe's ability to retain its place among the great industrial powers and to meet the aspirations of its citizens.

The reduced dynamism of the European economy is not a symptom of inferiority in terms of human, capital or creative resources. The Commission is convinced that recovery could be achieved if firms were allowed to exploit the potential of a large market to the full and if

greater coherence and dynamism were imparted to national economic policies in the shared struggle for growth and employment.

### *Exploiting the potential of a large market*

3. It is generally accepted that compartmentalization of the common market is one of the main causes of the reduced dynamism of the European economy. It is a source of unproductive costs which take from the international competitiveness of European industry (the 'cost of non-Europe') and prevent European firms from making the most of an internal market which will have a population of 320 million once it is expanded to include Spain and Portugal.

Unifying this market presupposes agreement by the Member States on the abolition of barriers of all kinds, harmonization of rules, approximation of legislation and tax structures, strengthening of monetary cooperation and the necessary ancillary measures to encourage European firms to work together.

The goal is well within our reach if we are prepared to learn from the setbacks and delays of the past. The Commission will be asking the European Council to pledge itself to completion of a fully unified internal market by 1992 and to approve the necessary programme together with a realistic, binding timetable.

In this way the Community can build on the customs union launched by the authors of the Treaty of Rome and provide as much stimulus to the European economy in the 1980s as the first stage of the common market did in the 1960s.

#### **A barrier-free economic area**

4. Considerable progress has been made in this area thanks to the impetus provided by the Copenhagen European Council in 1982. But the Commission's ultimate objective is still a long way off.

To the general public border formalities, indeed the very existence of internal customs posts, provide striking evidence of our failure to create a common market.

The Commission will monitor implementation of the simplification measures already approved (single customs document) or currently under discussion (movement of persons) and will propose others (further easing of border checks), but the total abolition of internal frontiers remains the ultimate objective. This will involve

the elimination of tax controls at borders. The need for these controls must be done away with gradually by harmonizing VAT bases, the structure of excise duties, and VAT and excise rates. The aim is ambitious, even with a 1992 deadline, and will call for considerable political will on the part of governments.

Little progress has been made on the common market in services, despite the potential for growth and job creation this sector represents. The transport policy advocated in the Treaty is beginning to get off the ground. The Community must keep up the momentum, adopt a timetable—however long dated—and give the Commission the legal means to ensure that it is adhered to. Parliament's action against the Council for failure to act has made a decisive combination which should be confirmed by the Court's judgment expected in April.

The liberalization of financial and banking services, like the liberalization of capital movements, is an essential stage in financial integration. The Commission will pursue its efforts to liberalize markets which are still exclusively national. Where possible it will adopt a pragmatic approach based on mutual acceptance of national supervision procedures and general recognition of financial products marketed in the other Member States.

Financial integration and monetary cooperation must go hand in hand. There would be little point in abolishing barriers if the single market could be destroyed by the instability or arbitrary manipulation of exchange rates to improve the competitive position of one partner at the expense of the others.

All those involved view the six-year EMS experiment in a positive light. A large single market is not feasible without the support of increased monetary integration and the scope offered by an abundant supply of risk capital and savings available for long-term investment. This clearly implies a greater role for the ECU, free movement of capital and an attractive European financial market. In these areas, too, we must advance resolutely, but pragmatically, taking one step at a time.

#### **Common or harmonized rules**

5. A barrier-free economic area cannot operate without ground rules. The plan is not therefore to deregulate at any price but to simplify by replacing the profusion of national rules with common or largely harmonized ones.

Three main elements in the future development of the common market must be viewed from this angle: industrial standards, the rules on intellectual property (trade marks and patents) and the rules of competition.

The Commission, learning from experience, has already proposed a new approach to industrial standards. The idea is to limit Community decision-making to the vital areas of safety and public health and to leave the task of producing detailed technical specifications to the standards specialists—be they European or national. The Commission will urge the Council to endorse this new approach in a framework directive, present formal proposals for implementing it, and press for wide delegated powers under the management committee procedure to speed progress.

The rules on intellectual property (trade marks, patents and copyright) are essential to the development of new technologies and the launching of new products.

A proposal on the possible introduction of European trade marks has been with the Council since 1983. The Commission is planning to cover various aspects of the complex issue of copyright in a Green Paper, which will focus on the legal protection of software, micro-circuits and data banks.

Finally, competition policy has a key role to play in creating a dynamic internal market and promoting the international competitiveness of European industry. The stakes in today's industrial, technological and commercial game are being played for at world level.

With this in mind the Commission plans to pursue a competition policy which is rigorous in its treatment of restrictive practices and behaviour detrimental to the achievement of a single market (price fixing, market sharing and the like) but constructive in its approach to cooperation initiatives which, through research, innovation and the dissemination of technology, will inject a new dynamism into the European economy.

The Commission intends to make full use of its powers in relation to State aids to defend and develop the common market by ensuring that such aids channel available resources to industries which contribute to economic growth and improved competitiveness. It will adopt a firm attitude to aids which are not compatible with the common market, for instance aids which support surplus or economically dubious production.

The Commission accordingly plans to scrutinize the entire range of State aid schemes in operation in the Community to get an overview of the situation. It will publish a White Paper on the subject as soon as possible.

A large single market also presupposes a more determined effort by the Commission to improve protection for European consumers to boost the benefits resulting from the enlarged market, improved trading conditions and cooperation between firms.

### **Business cooperation**

6. Cooperation between European firms has not developed as much as it could and should if Europe is to meet the technological challenge of the outside world.

It has been held back not only by in-built attitudes but also by potential tax and legal problems.

As far as attitudes are concerned, the Esprit programme has shown that it is possible, primarily by providing financial assistance, to promote cooperation prior to the production and marketing stages. This type of action, combined with the introduction of common standards and the liberalization of public contracts, is a powerful weapon in industry's armoury as it attempts to meet the challenge of the new technologies, particularly in telecommunications and armaments.

On the tax front the Commission intends to place the various specific proposals now before the Council in a general framework. A Green Paper on company taxation in the Community will be published in the course of the year.

On the legal front the current proposal on the creation of a European economic interest grouping is high on the Commission's list of priorities. The same is true of the directive on mergers between firms from different Member States. The Commission has also decided to resume and extend its examination of the draft statute for the European company.

The measures which the Commission will be proposing to enable firms to exploit the potential of the single market will stress the growing importance of small businesses in the industrial fabric and the job creation context. Where possible it will promote transnational cooperation between small businesses and facilitate access to Community borrowing and lending instruments.

## ***Growth and employment***

7. Unemployment in the Community rose to 12% at the beginning of 1985. And the signs are that it will increase further during the year, with employment staying flat despite a relative improvement in the rate of economic growth.

The prospect of unemployment worsening, or stabilizing at its present level, is quite intolerable. It demoralizes young people excluded from the labour market and tarnishes the image of the Community which no longer seems capable of fulfilling the main function assigned it by Article 2 of the Treaty of Rome. Under the circumstances the Commission proposes that the minimum target for concerted action by Member States and the Community should be to turn the tide of unemployment within two years.

Efforts to break down barriers within the internal market will contribute to this, but it would be unrealistic to expect them to have an early impact on growth and employment. The aim must therefore be growth and job-creating growth in particular.

With this in mind, the Commission has written two major complementary objectives into its programme:

### **To convince Member States of the possibility of creating margins for growth by making their macroeconomic policies more consistent**

8. The boost which the US economy gave to recovery in 1984 will probably weaken and several Member States will be obliged to continue their budgetary adjustment efforts. The Commission will therefore propose that the Member States which have already made good progress towards restoring the key internal and external equilibria give higher priority to growth and employment in formulating budgetary and tax policies. More specifically, all Member States should ensure that subsidies and tax reliefs are effective in terms of growth and employment.

Unless an attempt is made to achieve consistency in the macroeconomic policies pursued in Europe, convergence will be achieved through slower growth which could further weaken the dynamism of the European economies and their capacity for structural adjustment.

The Commission will propose that the Member States join it in ascertaining whether the opportunities for public investment with a strong impact on employment have been fully

exploited, instead of bearing the brunt of budget retrenchment.

In particular the Commission will suggest that Member States take advantage of the existing room for manoeuvre to stimulate activity in the construction and public works sector under a coordinated development programme for major infrastructure projects of Community interest. Implementation of a programme of this kind, covering transport (railways, road network), telecommunications (integrated broadband network) and environmental protection (fighting water pollution), would not only help to boost demand within the Community but would also have a high social return whether measured in terms of increased business profitability or improved quality of life. In this context the Commission will consider how the Community's borrowing and lending instruments can contribute to this development of Community infrastructure.

### **To examine with governments and the two sides of industry ways and means of improving the operation of labour markets in Europe**

9. The unemployment problem will not be solved merely by boosting growth. The trend of labour costs and the operation of the labour market must be such as to favour job creation rather than the replacement of labour by capital. The Commission's thinking here is guided by two major considerations:

- (i) society cannot be changed by decree at national level, still less so at Community level;
- (ii) the Community would be destroyed if internal competition were to lead to social dumping.

These two considerations militate in favour of a social dialogue at Community level. The Commission will propose that governments and the two sides of industry work together to find a way of harmonizing social policies and compare notes on any attempts they have made to improve operation of the labour markets and stimulate employment.

This may not appear very spectacular. But it is important that the Commission, in its independence, should invite the two sides of industry to take part in a dialogue, present them with its interpretation of the economic and social facts, and outline the changes to the rule book which it considers essential if the growth of unemployment is to be checked while preserving the pattern of industrial relations peculiar to Europe and a powerful factor in its cohesion.

The Commission hopes that revival of the social dialogue will lead to Community-wide framework agreements which can be taken over at national and company level.

At the same time the Commission is determined to use all the instruments at its disposal, notably the Social Fund, to mount model projects and disseminate the results. Three areas will be given priority—the insertion of young people into working life, vocational training, and equal treatment for men and women. The Commission will produce a five-year programme on equal treatment and submit it to Parliament before the end of the year.

## The Community and the world

10. Commission strategy in this area is dictated by two facts:

(i) The Community's authority on the world scene is in direct proportion to its internal cohesion. In areas where policies are being defined, where the Community speaks with one voice, Europe is listened to with respect. The opposite is true in areas where Member States speak and act individually because the Community has no position.

(ii) International economic developments are determined by a complex of policies—macro-economic, monetary, financial and commercial—devised at different levels—national, regional and international. This means that nations are interdependent and that the world's economic problems are interrelated.

The Community must draw the necessary conclusions from these two facts if it is to move from what is largely a trade-related presence to play a full part on the international scene. The choice is this: either the Member States set about devising Community positions on the main problems and policies, financial and monetary included, which they and the Commission will defend; or the Community, like the Member States, must resign itself to a seat on the sidelines of history. The Commission, for its part, will spare no effort to build up international cohesion, a precondition for exerting any influence on a plan for international organization consonant with Europe's interests and values.

11. In multilateral relations, Europe's efforts should, as the Commission sees it, concentrate on:

(i) consolidating the international economic cooperation system and exerting an influence on the world economy commensurate with the

burden its Member States as a group bear within the world's international institutions;

(ii) working with its main partners to find ways and means of supporting economic recovery in the west and spreading it to other parts of the world. This presupposes increased compatibility between the macroeconomic policies of the main industrialized countries. It also presupposes efforts to improve the operation of the international monetary system, the re-establishment of the financial equilibrium which is fundamental to the world economy, and a lasting solution to the indebtedness problems of developing countries;

(iii) stoutly defending the Community's world trading interests at both the multilateral and bilateral level, while continuing to play a leading role in the fight against protectionism and in strengthening the ground rules which should guarantee the freedom of international trade. The Community, which is more open to world trade, than most of its partners would also suffer more than others from any relaxing of these rules or any encroachment on this freedom.

(iv) taking account of the interdependence between North and South and the interplay between problems affecting the advancement of Third World countries (indebtedness, development financing, trade patterns, energy). The Community should adopt a coherent approach to these countries' policies for adjusting and mobilizing their own resources with a view to increasing their contribution to lasting, balanced world economic growth.

The Commission is aware of the importance of commercial, financial and monetary issues being discussed simultaneously. It will bear this in mind in defining the Community's position for the major international encounters of 1985: the IMF and World Bank Committees; the OECD Council; the Western Economic Summit in Bonn; and preparatory talks for a new round of negotiations within GATT.

12. In bilateral relations some of the issues on the Community's agenda for 1985 are particularly significant or problematical. The Community will have:

(i) to manage its relations with the United States and Japan, deal with the strains which will undoubtedly occur, and continue to defend Europe's interests while avoiding conflict;

(ii) to pay due attention to the important changes underway in the countries of the Pacific region and draw appropriate conclusions for cooperation policy and trade relations;

(iii) to give exemplary help to Africa south of the Sahara to deal with the scourge of famine and its serious development problems, combining emergency measures with long-term action to strengthen the productive base of African economies, notably in relation to agriculture;

(iv) to formulate a Mediterranean policy for the Community of Twelve. The aim of this policy, which will take account of the effects of enlargement on traditional exports, will be to develop political and economic relations between the Community and non-member Mediterranean countries, thereby strengthening ties born of a shared history;

(v) to create a new structure for cooperation with the countries of Central America and, in so doing, to promote better relations between them; to reopen the dialogue and revitalize cooperation with the countries of Latin America to support economic recovery and the re-establishment of democratic freedoms.

### **Preparing for the future**

13. The Commission's programme for 1985 look to the future in a number of areas, giving full weight to new policies and new direction to the old.

#### *The future of European agriculture*

14. The Council embarked on reform of the common agricultural policy in March 1984. The Commission intends to stick to the chosen path. There is no realistic alternative to tough action as long as massive imbalances persist for most agricultural products.

But rigorous rationalization of the common agricultural policy, necessary though it may be, is not enough. New prospects must be opened up for European farming.

Europe needs an agricultural industry that is modern and capable of competing on the world market. But it also needs an industry that can play an active part in protecting the environment and conserving our natural heritage. Europe cannot afford to abandon millions of 'surplus' hectares and the people who farm them. A policy along these lines would be socially unacceptable and ecologically dangerous. The Community will therefore have to explore the possibility, in some instances, of separating the common agricultural policy's economic function as a market regulator from its role in relation to farm incomes. These can be guaranteed by other, more selective means. It will also have to

consider the possibility of developing alternative products and new outlets, especially in the area of renewable raw materials for industry (biotechnology) and as a source of energy.

The Commission plans to launch discussions within the institutions and with the farming organizations before the end of June with a view to defining new prospects for European farming.

#### *Development of less-prosperous regions*

15. Over the past 15 years regional disparities within the Community have widened.

The underdeveloped regions on the periphery of the industrial heart of Europe have been joined by a number of old industrial regions whose traditional economic base is in structural decline. But the two are fundamentally different. The Community's structural Funds should—provided, of course, that they have sufficient resources—make it possible for the Community to support structural conversion and adjustment projects in regions in difficulty.

The Commission aims to reverse the trend towards treating these Funds as mere redistribution mechanisms. Its task will be made easier now that the ERDF has—at last—been reformed. It will begin to put the instruments, procedures and methods of action provided for in the new regulation to the test this year.

The essentially agricultural regions of southern Europe demand special treatment. Their development problems are general rather than specific and are all attributable to structural causes rather than recession.

The socio-economic disparities between North and South in Europe were heightened with the accession of Greece and will be accentuated further with the accession of Spain and Portugal. There is a danger that these disparities could become a permanent source of political confrontation if the South is not given a fairer share of the benefits of economic development. Indeed, the South could become Europe's 'new frontier', generating a dynamism which would benefit the old industrial regions of the North.

This is the thinking behind the integrated approach advocated in the Mediterranean programmes (IMPs). These set three targets: to develop local potential, to adapt southern regions to the new conditions created by their incorporation in a large continental-scale market, and to maintain employment and incomes.

But other Community policies too should promote the integration of less-prosperous regions. In this context these regions must be involved from the outset in developments stimulated by the introduction of new technologies.

### *A strategy for research and innovation*

16. The Community's objective is to foster the synergy of national efforts and facilitate the transfer of knowledge to industry by encouraging more cooperative research and less compartmentalization between academic and industrial research. This is the aim of the Community R&D programmes now under way, such as Esprit and Brite, and the planned RACE programme on telecommunications.

A framework programme for 1984-87 was recently adopted to guide the Community's scientific and technical activities over the next few years. A number of specific programmes have already been approved (the multiannual programme for the JRC, Esprit, the controlled thermonuclear fusion programme, the non-nuclear energy programme, etc.).

These programmes apart, the Commission will concentrate on three main aims in 1985:

(i) to create a European scientific and technical area involving mobility for research staff, a cooperation network between research centres and technology transfer;

(ii) to establish post-industrial infrastructures; over the next four years—beginning in 1985—the Commission will take a number of major initiatives to ensure that, by the turn of the century, the Community will have advanced telecommunications networks integrating data processing, telecommunications and audiovisual technologies;

(iii) to find ways of winning acceptance and controlling the social repercussions of the new technologies. These will not be confined to the 'high-tech' industries; they will permeate the entire economy—agriculture, industry and services—transforming production methods, industrial relations and the established hierarchy of skills. This process will be traumatic and will, quite naturally, be resisted by those who feel threatened by it. This is one of the most urgent topics to be dealt with in the social dialogue which the Commission would like to see launched at Community level.

At the same time the Commission will continue, with the meagre resources it has available, to support the efforts of the Member States to familiarize young people with the new infor-

mation and communication technologies in schools. It will also be proposing a Community programme for cooperation between industry and the academic world to improve the training of specialist personnel for the new technological era and will encourage cooperation between employers' organizations, trade unions and national authorities to expand provision for training and retraining in industry.

### *A Europe-wide environmental policy*

17. The need for an environmental policy is no longer disputed. However, its importance is often underestimated relative to other areas of economic and social policy, no doubt due to the fact that it involves constraints or costs in the short term while the benefits are seen in the medium or long term.

The Commission intends to give environmental policy a strategic dimension in its economic and social policy guidelines. It is not just a matter of repairing damage associated with a phase of industrial development when ecological considerations counted for little. It is also important to anticipate and promote the emergence of an industrial system into which environmental constraints would be gradually incorporated.

Environmental policy touches on most of the areas covered in the Commission's programme. It is mentioned in the context of public investment programmes, harmonization of common market rules, and job-creating growth, and is intrinsic to the construction of a European entity adapted to the needs of those who live and work in it.

In most instances analysis and implementation of environment policies is best conducted at Community level given the geographical proximity of the areas concerned, the nature of the economic stakes, and the transnational repercussions.

### **Europe and the man in the street**

18. Why should governments, to promote integration, risk making concessions in the Community interest if the very notion of 'Community' or common interest strikes no chord in the public mind?

Or, to turn the question around, why should the general public be interested in a Community which seems paralysed by the conflict of short-term national interests?

The answer lies partly, but only partly, in the content of Community policies. The question never arose for farmers as long as the future of the common agricultural policy seemed assured. It does arise now for those affected by rising unemployment, for those concerned at the dispersion of national efforts to meet the technological challenges of the outside world, for those who realize that threats to the environment do not stop at frontiers, for those exasperated by barriers to free movement of goods and persons.

But, if we are to make the Community an intrinsic part of national life, meaning not only the political culture of each country but also the political and social struggles that make up the fabric of society, it will not be enough to forge ahead in all these areas.

The Commission, with Parliament's help, would like to explore three avenues that could bring us closer to the objective. It would like:

- (i) to involve the forces of European society in the definition of projects shaped by the Commission, Parliament and the Council with them in mind; this will mean closer cooperation with the Economic and Social Committee and untiring efforts on the Commission's part to promote vigorous, realistic and fruitful social dialogue at European level;
- (ii) to transcend the 'economism' which has stamped European integration from the outset and transform the Community into a vehicle for cultural exchange in the widest sense of the term; Europe needs a powerful cultural industry which will enable it to master the new communications technologies, control the content of programmes and hence preserve European values;
- (iii) to inform and educate in such a way that the people of Europe will support the Community interest when governments waver over crucial options.

The Commission will take steps in this direction, concentrating on a number of themes ('people's Europe', technological Europe—the Community of Twelve) aiming at target audiences selected for their dynamic value to the Community. In this context, the Commission looks forward with interest to the findings of the Committee chaired by Mr Adonnino, in which its representatives are playing an active part.

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19. In the last analysis the European identity, the leitmotiv of the Commission's programme, will not be perceived until its various dimensions move from rhetoric to reality.

The first dimension lies in receptivity to the new technologies vital to Europe.

The second lies in the healthy tension born of the diversity of national cultures, exemplified today in the tension between the cultures of the Mediterranean and those of the North Sea.

The third is to be developed in an awareness of the value of a European social model based on a balance between the rights and obligations of society and the individual.

## The future of the Community system

20. The Committee set up by the Fontainebleau European Council and chaired by Senator Dooge, having published a much-lauded interim report, is now working on its final report for the European Council in March. The Commission hopes that Mr Dooge and his colleagues will manage to produce the broadest possible consensus on all the issues without any dilution of the ideas in their interim report.

Without wishing to prejudge their findings, the Commission would like to make it clear that it intends to exploit all the possibilities, notably in relation to delegated powers, offered by the present Treaty. The Commission's sole reason for demanding improved decision-making is to ensure that objectives set by the Member States are achieved and the mission given the Community by the Treaty itself is accomplished. This aspect of the institutional debate must not be overlooked. An early answer must be found. But, as indicated in the 14 January statement, some thought must also be given to the idea of a new Treaty. On this the Commission would make the following points:

- (i) The European venture, as President Mitterrand pointed out to Parliament, has extended over the years into areas not covered by the existing Treaties: these include the development of political cooperation, the beginnings of cultural cooperation, and the new willingness of certain countries to tackle aspects of security policy together. This steady expansion has been made possible by a variety of agreements and procedures, essentially based on political consensus. These new mutual commitments need to be made more consistent and, in some cases, more binding.
- (ii) If the recognized objectives of giving the Community the decision-making capacity lost over the years and enabling it to organize new areas of cooperation are to be achieved, the functioning of the institutions must be strengthened and a better balance established. The issue



is perfectly clear, as Parliament has shown: we need to reach beyond the existing Treaties and consider the possibility of amending them or drawing up a new Treaty.

(iii) It is important therefore that the European Council's deliberations on the Dooge Committee report should lead to the convening of a conference to undertake this task. However, the conference must be given a clear remit to ensure that it does not get bogged down in interminable

discussions, as has happened all too often in the past. Nobody could then shirk responsibilities assumed at the highest political level. The European Council has decided that the final discussion will take place in June. It would be desirable, however, if some political impetus could be given in March so that the weeks between the two European Councils of the Italian presidency could be used to produce the broadest possible consensus on this remit.

## The programme

### Internal market

21. The creation of a single market remains one of the Commission's top priorities. It represents an extension of its programme for consolidation of the internal market presented in 1984 and looks forward to the elimination of frontiers within the Community by 1992.

This market must meet three conditions:

- (i) it must be a large market, embracing the entire territory of the Community; once Spain and Portugal join this would give a population of 320 million with a purchasing power comparable to that of the United States;
- (ii) it must be an expanding market, in other words, a market geared to the future;
- (iii) it must be free and flexible, in other words, it must be capable of seizing every opportunity of developing new products and services, and the factors of production must be able to circulate freely.

The Commission will take determined action in three areas in 1985:

- (i) decompartmentalization,
- (ii) harmonized rules,
- (iii) business cooperation.

#### *Decompartmentalization: a large barrier-free market*

22. The Commission will do everything in its power to do away with intra-Community frontiers, the most striking evidence of the failure of efforts to create a common market.

A barrier-free market means more than a free trade area. Its aim is to make the most of the advantages offered by one single as against a dozen separate markets. In this context full implementation of the programme for consolidation of the internal market will remain a major objective in 1985.

A first considerable step was taken towards the elimination of barriers at the Community's internal borders with the introduction of a single administrative document for internal trade and the closely related proposal on a long-term pro-

ject for coordinated development of computerized administrative procedures.

At the same time, some progress was made as regards movement of persons within the Community, and the Commission intends to capitalize on these initial advances.

Free movement of persons, goods and services within the Community is the goal towards which the Commission intends to move. The Commission feels that 1985 must see decisive progress in this area.

23. The Council should adopt without delay the proposal for a directive presented in January on the easing of controls and formalities applicable to nationals of the Member States when crossing intra-Community borders. The proposal is part of the follow-up to the conclusions of the Fontainebleau European Council, which called for measures to create a 'people's Europe' (see point 130). It is based on the fundamental principle that people should be able to move freely across borders between Member States whatever the mode of transport used.

Further to its communication of September 1984 on a 'people's Europe', the Commission will do its utmost to ensure that the work being done in the area of checks on travellers crossing borders (problems of security, drugs, immigration control) and the right of establishment leads promptly to Community solutions. It will propose measures before the end of 1985 to ease frontier-crossing still further.

24. Tax controls are one of the main obstacles to the crossing of borders between Member States. The elimination of these checks must not lead to a distortion of trade; consequently, it will be necessary not only to harmonize VAT bases and the structure of excise duties but also to make significant progress on aligning the rates at which VAT and excise duties are charged.

What is needed in fact is an exercise similar to that provided in the Treaty of Rome for dismantling tariff barriers.

In the short term the 14th VAT Directive, authorizing non-payment of VAT at borders, is of prime importance.

The Commission will continue its efforts to harmonize excise duty structures for alcoholic beverages, to introduce a preliminary information and consultation procedure on tax matters and to move on to the third stage of harmonization of the structure of excise duties on cigarettes.

The Commission considers that political agreement on a 'standstill' is essential to avoid any further widening of the tax gap between Member States.

25. The creation of a common market in services, parallel to the existing common market in goods, will be a priority objective. Trade in services and trade in goods are necessarily complementary, and full mobilization of the services sector (insurance, finance, consultancy, etc.) on a European scale can make a major contribution to the development of modern industry. Hitherto, little has been achieved on the services side. Progress on the second Directive on non-life insurance, under discussion in the Council for some three years now, will be of crucial importance here.

26. Mobility of capital and financial integration are vital to the development of European firms; the Community is currently at a competitive disadvantage *vis-à-vis* industrial powers like the United States and Japan. Liberalization of banking and other financial services must be pursued, as must, of course, liberalization of capital movements. Particularly vital is the strengthening of the equity capital bases of European companies; the Commission will work to bring about a genuine European equity market on the basis of close collaboration between the stock exchanges of Member States.

#### **Liberalization of public contracts**

27. It has to be recognized that there are obstacles to the effective implementation of Community directives designed to make tendering procedures more open and transparent. Local and national interests, often short-term, seem to take precedence in the decision-making process over the nevertheless substantial benefits which the opening of contracts to Community competition would undoubtedly bring.

Intended Commission action towards bringing about a common market in government procurement is set out in its communication of December 1984. The Commission will act in three main directions, in parallel if necessary:

- (i) further improvements in giving effect to existing directives;
- (ii) amendment of the directives in the light of the experience of the past five years, to improve them and counter evident abuses;
- (iii) extension of coverage to those sectors and areas of public procurement at present excluded from the directives.

The Commission's efforts in 1985 will be concentrated on extending the directives to growth industries such as telecommunications, where positive results have already been achieved in opening public contracts to competition.

#### ***Harmonized rules***

28. The establishment of a genuine international market must go hand in hand with the harmonization of rules, the aim being to prevent unfair competition, social dumping and unequal business contests. This calls for action in four areas, namely standards, competition, State aids and State monopolies.

#### **Standards**

##### *Technical harmonization and standardization*

29. A more pragmatic approach will be adopted with regard to industrial standards, so that the difficulties sometimes encountered in achieving total harmonization may be overcome. Some industries remain virtually untouched by harmonization, and the multiplicity of standards confronting them puts up so many barriers to free trade.

Eighteen years' experience has shown that the slow pace of technical harmonization and the difficulties encountered in achieving it can largely be ascribed to the method employed, which involved laying down detailed technical specifications.

For this reason the Commission recently proposed a new approach, whereby the performance criteria that products must satisfy in the area of safety and the public interest (such as health, consumer and environmental protection) are laid down in directives, while technical specifications are defined by European standards.

The Commission has identified the priority areas in which this new approach could be applied and has set out the main principles and provisions to be embodied in directives.

During the year, the Commission intends to set in motion procedures that should lead to actual proposals being made in the mechanical engineering, building materials and electrical appliances sectors.

30. The Commission will take a number of additional initiatives in 1985, in specific areas such as information technology and telecommunications:

(i) implementation of the agreements concluded at the end of 1984 with the three European standardization organizations (CEN, Cenelec and CEPT);

(ii) commencement of work on the mutual recognition of test results on the basis of studies and discussions with the national laboratory networks;

(iii) enforcement of standards, especially in government procurement.

31. A similar pragmatic approach will be adopted in the services sector, on the basis of mutual acceptance of streamlined national verification procedures and recognition throughout the Community of financial goods marketed in other Member States.

## Competition

32. The Commission's competition policy forms part of a whole. It ties in with other spheres of Community action, particularly economic and industrial policy.

A single market will not be achieved without friction unless businesses remain free to compete on equal terms.

The Commission will take the following specific steps in 1985.

It will press the Council to adopt the three regulations now before it, dealing with merger control and the application of Articles 85 and 86 to air and sea transport. Their adoption before the end of the year will be one of the Commission's priorities.

The Commission will also seek to ensure that the range of regulations, guidelines and communications adopted recently are properly applied. These include the rules aimed at encouraging cooperation between firms (cooperation on R&D, which may extend to joint exploitation of the results of R&D), facilitating the transfer of technology (patent licensing agreements), improving the division of labour (specialization agreements) and promoting the unity of the common market (motor-vehicle distribution agreements).

The Commission will pay special attention to the transfer of technology by means of know-how licences, to the grant of copyright licences, and to franchising.

It will prepare guidelines on the question of joint ventures.

In line with its long-standing policy on the application of the rules on restrictive practices, the Commission will continue to oppose agreements and concerted practices which have the effect of partitioning markets. In particular, it will rigorously apply the parallel imports doctrine, and combat all cross-border pricing and quota agreements. It will pay particular attention to the effective application of the block exemption for motor-vehicle distribution agreements and to problems relating to brewery contracts.

The Commission will seek to ensure that the competition rules are complied with in all sector of the economy, including air and sea transport, banking and insurance, telecommunications, and so on.

The Commission will encourage greater respect for the competition rules by imposing appropriate penalties. It will seek to have the rules more fully applied by the national courts.

Lastly, the Commission will propose the establishment of an administrative tribunal of first instance to hear actions against Commission decisions in the competition field. This tribunal would have power to review questions of both fact and law, with appeals to the Court of Justice on questions of law only.

## State aids

33. The Commission intends to use its powers under Articles 92 and 94 of the EEC Treaty to ensure that resources are allocated in ways which improve the competitiveness of European industry, to encourage industrial restructuring, and to promote research, development and innovation, taking due account of the regional and social consequences. When it assesses the compatibility of national aid measures with the common market, it will be concerned to direct the flow of available credit to industries which contribute to economic growth, help economic convergence, create productive jobs and strengthen European competitiveness.

The Commission will continue to publicize the philosophy behind its assessment of the compatibility of aids with the common market. The Commission feels that defining codes for aids to particular industries helps Member States to comply with Community rules by providing greater certainty and transparency in decision-making. The Commission will issue guidelines on aids to research and development in the course of the year.

In these difficult times Member States are under constant pressure to grant national aids. Many

of these aids and subsidies represent a waste of taxpayers' money which could be better used in competitive and job-creating industries. In the last five years the Commission has had to take an unprecedented number of decisions prohibiting aid schemes. It will continue to adopt the same firm attitude to schemes which promote protectionism, distort competition, and help firms which are never going to return to viability to survive.

The Commission will not confine itself to studying planned aids as they are notified to it. It intends to improve its overall understanding of the various national schemes to ensure that they are not combined in order to favour particular firms or regions excessively. To this end:

(i) the Commission will apply new rules on the combination of industry, regional and general schemes, introducing the practical requirement that important cases be notified from 1 March 1985;

(ii) the Commission will draw up a White Paper covering all categories of aid, including general aid measures, so as to be able to determine precisely how great are the flows and what are the main mechanisms used.

Lastly, the Commission will pay particular attention to:

(i) detecting and following up cases where aids have not been notified,

(ii) applying its policy of recovering aid illegally granted wherever this is justified.

### Public monopolies

34. Competition policy can continue to be effective only if the Member States refrain from introducing distortions of competition into their laws. The Commission will devote its best efforts to ensuring that the Member States adhere to the principle of free competition in general and the principles enshrined in Articles 85 and 86 in particular. It will also ensure that the Member States fulfil their obligations under Article 5 of the EEC Treaty in accordance with the case law of the Court of Justice.

The Commission will also make more extensive use of the possibilities afforded by Article 102 of the EEC Treaty with a view to eliminating such distortions of competition and will draw up the relevant proposals. With regard to State monopolies (Article 37), new measures are envisaged with a view to preventing the partitioning of the common market and adverse effects on competition. Additional sectors such as telecom-

munications will be included. All existing monopolies will be adjusted as rapidly as possible. More particularly, the Commission will initiate proceedings against State monopolies in the event of manifest infringements.

As regards Article 90, the Commission will rigorously implement the directive on the transparency of financial relations between Member States and public undertakings and will put forward proposals for extending the scope of the relevant directives, along the lines of the proposal already presented for air transport.

While encouraging transparency in relations between Member States and public undertakings, the Commission will monitor application of the principle of non-discrimination as between the public and private sectors.

### Business cooperation

35. The promotion of industrial cooperation is essential if the Community is to create a large market, benefit from its economic and social advantages, and rank on a par with its major partners, the United States and Japan. To this end the Commission will take action on four fronts:

#### Favourable structures

36. By mid-year the Commission will present to the Council a communication on ways of improving Europe's industrial structures.

They will be inspired by three decisive factors:

(i) consistency with the macroeconomic guidelines set out in the report published by the Commission in October 1984;

(ii) willingness to contribute to restoring flexibility to the European economy in order to eliminate obstacles to industrial growth and job creation;

(iii) concern to advance the development of a genuine European industrial area by strengthening the Community's internal market and promoting an environment that will encourage cooperation between firms, innovation and the expansion of trade.

#### Tax framework

37. The Commission will continue to press for early adoption by the Council of specific tax proposals to encourage cooperation between firms, notably:

- (i) elimination of tax obstacles to cooperation between firms from different Member States (double taxation of parent companies and subsidiaries, taxation applicable to mergers, divisions and contributions of assets);
- (ii) harmonization of tax arrangements for the carryover of losses;
- (iii) amendment of the common arrangements applicable to capital duty;
- (iv) harmonization of taxes on transactions in securities.

**Legal framework**

38. Turning to the legal framework of firms' activities, top priority will be given to two instruments concerning company law: the regulation on the European Economic Interest Grouping and the 10th company law directive on cross-border mergers of public limited companies. These texts are supplemented by a set of three proposals on company taxation which the Commission hopes will be adopted in the next few months.

On the protection of industrial property, the Commission will be taking the following initiatives:

- (i) publication, during the second half of the year, of a Green Paper on copyright and related rights in the Community concerning the legal protection of software, microcircuits and data banks, and audiovisual works (see point 127);

- (ii) legal protection of the products of biotechnology to promote applications of advanced techniques.

**Incentives**

39. Experience recently acquired with the Esprit programme shows that it is possible to stimulate—in particular through financial assistance from the Community where emphasis is placed on Community preference—the trend towards cooperation prior to manufacturing and marketing. The stages going from applied research to pilot schemes and demonstration projects are capable of playing a key role beneficial to European industry and its competitiveness. This type of measure fosters and increases cooperation among European firms.

Following up its previous proposals designed to improve the tax and financial environment for firms, the Commission will present a communication on public assistance with the aim of improving its transparency and effectiveness. It will also endeavour to expedite current procedures for granting loans for structural purposes. In this context the Commission will strive to maintain the continuity of measures under the various Community instruments, particularly the NCI, which makes an exceptional contribution to promoting investment, notably by small businesses.

**Summary**

**Decomartmentalization: a large barrier-free market**

The Commission will:

- Implement in full the programme for consolidation of the internal market.
- Implement the decision on a single administrative document.
- Propose measures to ease frontier-crossing.
- Present a programme for significant progress in the harmonization of VAT and excise rates.
- Continue to press its proposal for a 14th VAT Directive.
- Seek adoption of the second directive on non-life insurance.
- Act to extend the coverage of the directives on public procurement, especially as regards high-technology products.

**Harmonized rules**

The Commission will:

- Press for the adoption by the Council of a framework directive on the new approach.
- Implement the agreements concluded with the three European standards organizations (CEN, Cenelec and CEPT).

## Summary (continued)

Encourage the mutual recognition of tests and certificates.

Seek general recognition of financial goods marketed in the Member States.

Press for the adoption of the regulation on the control of mergers and air and sea transport.

Monitor strictly the application of the regulations, guidelines, and notices adopted in the field of competition.

Propose the establishment of an administrative tribunal of first instance to hear actions against Commission competition decisions.

Issue guidelines on State aids to research and development.

Apply new rules on the cumulation of State aids.

Draw up a White Paper covering all categories of aid.

Draw up proposals to eliminate distortions created by public monopolies.

Consider new measures to prevent the partitioning of the common market due to the existence of public monopolies, particularly in the field of telecommunications.

### **Business cooperation**

The Commission will:

Present a communication on ways of improving European industrial structures.

Press for early adoption of tax proposals to encourage cooperation between firms.

Work for adoption of the regulation on the European Economic Interest Grouping and the 10th company law Directive on cross-border mergers of public limited companies.

Publish a Green Paper on copyright and related rights (protection of software, data banks, audiovisual works, etc.).

**Present a programme incorporating a precise timetable for completion of the internal market by 1992.**

## **Convergence: an economic policy objective and instrument in promoting employment and growth**

### *Principles*

40. Significant progress has been made in recent years in conquering inflation, restoring external equilibrium and improving the financial position of firms in the Community. Closer convergence between Member States also helps the further development of the EMS.

The prospects for growth are, therefore, somewhat brighter. The employment outlook, on the other hand, is still a source of considerable concern. The unemployment rate rose to 11% (average for 1984) and looks set to climb further in terms of the average for 1985 while there will probably be little, if any, increase in job offers. The worst affected groups are young people, among whom unemployment is around three times higher than among adults, and women. The share of long-term unemployed in the total number of those out of work (nearly 40% in 1983) is growing steadily.

In its economic policy, the Community cannot resign itself to such gloomy prospects for employment if only because of its responsibility towards the next generation. Determined action to tackle unemployment will therefore be a top priority for the Commission.

Extra employment will have to be secured primarily through a balanced policy mix that is more conducive to growth. However, because of the present limits to growth, it appears unrealistic to set one's sights on the growth rates that, on past performance, would be needed to eliminate unemployment within a reasonable period. Instead, the aim must be more employment-intensive growth, that is to say, a situation in which each percentage point of growth will generate more new jobs than in the past.

An active growth policy favourable to employment will be a lasting success only if it is based on economic stability. For this reason, price stability must not be jeopardized in those countries where prices are already essentially stable and must be resolutely pursued in those countries in which the stabilization process is still under way. Overall, convergence in Europe must be strengthened.

The Commission's latest annual economic report to the Council (Economic and Financial Affairs) and to the European Council was well received, showing clearly that the governments are largely agreed on the need to secure a decis-

ive improvement in economic conditions on the supply side. But the mechanisms on which such a policy is based are, for the most part, slow-acting, and this may jeopardize their acceptance by the public. In view of the moderate results achieved to date in putting the economy on a sound footing, back-up measures on the demand side could be usefully envisaged. While the objectives of stability must be strictly observed, an active, combined growth policy of this sort must be the outcome of wide-ranging consultations with the different socio-economic groups if the aims in mind, i.e. faster real growth and higher employment, are to be attained.

This macroeconomic approach must be accompanied by specific policies to improve the functioning of the labour market and to establish broad equality of job opportunity for all groups. For the restructuring of economically threatened sectors or regions to be carried through in a socially well-ordered manner, the authorities should, in the Commission's view, take action to support and back up such restructuring. The same applies to the introduction of new technologies, whose socially harmful effects on employment and on working conditions in all branches of activity must be overcome without, however, hampering technical progress.

### *Macroeconomic policy: the search for a better mix*

41. The respective roles of the main instruments of macroeconomic policy should be examined on a case-by-case basis, in the light of the progress made in each country in redressing the economic and financial situation.

42. The main task of monetary policy is to guarantee internal and external stability while ensuring the monetary expansion necessary to achieve real growth. In the countries where the objectives of stability have already been largely met, monetary policy instruments will have to be deployed in such a way as not to rekindle inflation and at the same time to permit the financing of the desired real growth. In the countries still having to contend with high inflation, monetary policy will have to be directed at making further progress towards internal and external stability. If income trends and budgetary policy are moving in the direction of stability, a policy of this kind is perfectly compatible with favourable growth prospects.

43. In the Member States with a high level of public indebtedness and large budget deficits, budgetary policy will have to remain set on achieving consolidation in order to eliminate



existing domestic imbalances. This alone will bring back some room for manoeuvre. The Member States which are well on the way towards consolidation and in which the debt servicing burden is declining in real terms should take steps to ensure that the level and structure of the central government budget are really consistent—not only on the revenue side but also on the expenditure side—with economic objectives, and especially the employment objective. Subsidies and tax reliefs should be scrutinized to check that they are genuinely effective and in keeping with the requirements of employment and growth policy. It should also be ascertained whether the opportunities for public investment that have a high social return and a strong impact on employment have been fully exploited. In this respect, investment by municipal authorities is particularly suited to helping existing small businesses and creating new ones.

44. In countries with persistently high inflation, the trend in nominal incomes would have to adjust to the intended slowdown in price increases so as to avoid any extra rise in real labour costs and the adverse effects this would have on employment.

At the macroeconomic level, the trend in real labour costs should be such as to ensure the viability of a larger number of jobs, thereby boosting employment. Given the objective of job-creating growth, real labour costs would have to lag behind productivity gains for a while. In addition to the trend of wage incomes, non-wage labour costs are particularly important here.

#### *Safeguarding vigorous investment beyond 1985*

45. Generally speaking, supply conditions will be all the easier to improve the more buoyant economic activity. Such an improvement may, of course, by itself bring about higher export demand and higher private investment, thereby fostering growth and employment, but these processes are linked to certain imponderables and require that those involved, notably the two sides of industry, should set themselves a relatively distant time horizon. The chance of wages policy following a moderate course will be all the greater if the economic policy pursued is seen to be ready to provide active support for the dynamism of the economy and thereby to secure before too long additional growth and employment—the very reason for going for a supply-side policy. Member States should, therefore, examine together the room for manoeuvre

they each possess, notably for encouraging private and public investment, in order to help bring about a more buoyant trend of economic activity in the Community. This applies in even greater measure to the Community itself.

46. Infrastructure projects of common European interest in areas such as transport (railways, roads), telecommunications (integrated broad-band network) and environmental protection (e.g. measures to combat water pollution) could not only help to boost demand within the Community but would also produce a high social return. This return might be in the form of increased profitability of private economic activity, that is to say improved conditions of supply and greater competitiveness on the part of European firms, but it might also be reflected in an improvement in the quality of life for people in Europe, e.g. through better protection of the environment. In this connection, the Commission will examine whether the Community's borrowing and lending instruments can be of assistance in developing Community infrastructure.

#### *Reinforcing employment policies: labour market and adaptation of working time*

##### **Action to boost employment**

47. While the solution to the employment problem must be sought first and foremost at macroeconomic level, specific back-up policies are still a necessary ingredient in the success of an employment strategy. These policies must be so framed as not to hamper positive adjustment in the economy and not to place all the burden on social achievements to date.

In the Commission's view, the creation of modern labour markets is one of the key elements of its work in this field. The administration of labour markets must be improved and forward planning introduced so that the requirements of economic and social development can be met. In adapting legal and contractual conditions on the labour market, improving working conditions and adapting working time, care must be taken to achieve better reconciliation of the needs of economic efficiency with those of social protection. Lastly, assistance should be given to those groups which come up against special difficulties on the labour market; quite generally, this means promoting greater equality of opportunity.

## Adaptation of working time

48. The growth in the numbers employed can also be boosted by reducing and reorganizing working time. The Commission has indicated before that one condition is that such measures should have a neutral effect on costs. More flexible forms of work organization can contribute to better utilization of firms' productive capacities and hence to an increase in productivity.

### *Higher growth and employment: Commission action to foster convergence*

49. The broad lines of economic and employment policy sketched out above will be implemented by the Commission in different ways, depending on institutional and objective circumstances.

50. Economic policy and employment policy will be all the more successful the broader the consensus on which they are built. This is particularly so because the behaviour of the two sides of industry has direct macroeconomic repercussions. While respecting their independence and their own responsibilities, the Commission will therefore endeavour to revive the dialogue with and between the two sides of industry at all levels. On all matters of importance affecting the economy and employment, the Commission will seek discussions with the two sides of industry and, if they so desire, will encourage the dialogue between them.

51. The Commission will make full use of its powers under the Treaty. These relate in particular to:

- (i) the coordination of Member States' economic policies;
- (ii) the promotion of cooperation in the field of employment.

With regard to macroeconomic policy, whose broad lines as they affect growth and employment have been set out above in accordance with the 1974 decision on convergence, the Commission will send the Council in the first, second and fourth quarters of 1985 communications on the economic situation in the Community that will, where appropriate, contain proposals for decisions, directives or recommendations.

The annual economic report presented in the fourth quarter is a piece of expert analysis by the Commission. It will provide an opportunity for in-depth consultations with the two sides of industry.

The Commission will also transmit to the Council appropriate communications and, where appropriate, proposals on general and specific problems of economic and employment policy.

In this field, the issues to be looked into in 1985 are the following:

- (i) principles and procedures of a forward-looking labour market policy;
- (ii) sectoral trends in employment, with special regard to the introduction of new technologies;
- (iii) the adaptability of the labour market, including the adjustment of working time.

The Commission will also report to the Council on how work on medium-term economic policy is progressing and will, where appropriate, put up proposals for action.

In addition, the Commission will strive to ensure that the employment measures already approved by the Council are effectively put into practice and expanded. This means in particular the measures to promote youth employment and help the long-term unemployed.

52. In the ECSC field, the Commission will press ahead with its policy of promoting the restructuring of firms through conversion loans and its social back-up policy in the context of redeployment measures.

53. The Community's borrowing and lending activities are all geared to fostering investment in specific fields as a means of underpinning both the Community's general economic policy and its specific policies such as regional policy, energy policy, transport policy, etc.

The Commission will attempt in 1985 to step up technical efficiency in applying the borrowing and lending instruments, improve the way in which they are organized and coordinate their deployment more closely with the disbursement of moneys from the structural Funds. First, granting loans for certain projects would help to save outright grants from the structural Funds. Second, in the case of priority measures, it would be possible to grant interest subsidies from structural Fund appropriations or under special budget headings. Implementation of the integrated Mediterranean programmes (IMPs) from 1985 onwards will bring closer coordination between structural Funds operations and financial projects involving the borrowing and lending instruments. The Commission will produce suitable proposals in the course of the year.

In the Commission's view, it is particularly important that the various borrowing and lend-

ing instruments should be developed along the following lines:

(i) the capital of the European Investment Bank should be raised in 1985 to enable it to make its substantial contribution in an appropriate manner, notably in the fields of regional policy and energy policy;

(ii) lending by Euratom should be continued within the framework of the proposed fourth lending programme;

(iii) when NCI III expires, the Commission will put up proposals for its renewal, the focus being on improving competitiveness in the Community; among other things, it will help to provide finance for small and medium-sized businesses that introduce new technologies and innovative ideas and will take into account the effects of the Community's structural policies;

(iv) where loans to industry under the ECSC Treaty are concerned, the Commission will make a special effort to give greater encouragement to the marketing of coal and steel. To this end, it will propose a programme to promote sales of Community steel that might include the granting of interest subsidies.

The Commission is also planning to investigate whether large-scale Community investment projects, e.g. European investments in transport infrastructure or cooperation projects between European firms, can be encouraged through Community borrowing and lending. Before considering making any practical proposals, it will have a particularly careful look at possible budgetary implications.

54. In 1985, improvements in the statistical tools at the Community's disposal will consist

primarily in the adjustments that need to be made to the current multiannual programme covering the years 1985-87, the purpose being to meet the statistical needs of priority sectors. The Commission will see to it that Member States are made aware of the importance of supplying statistical data that provide an appropriate yardstick for policy action both inside and outside the Community. In each specific priority case, the collation, processing and dissemination of data will need to be more closely coordinated and harmonization stepped up in areas where intra-Community and extra-Community comparisons so require.

### *Monetary cooperation in the Community*

55. After operating for a number of years in an unstable and problem-ridden international environment, the rules on monetary cooperation applied by the countries belonging to the EMS have proved both their resilience and their worth.

Already this year the President of the Commission has put to the Council the case for strengthening monetary cooperation within the Community.

He drew attention not only to the technical and financial issues involved, but also to the political and institutional aspects of the questions facing economic and monetary policy-makers.

These questions will be discussed in the various Community bodies for concerting action, notably the Committee of Governors of the Central Banks and the Monetary Committee.

## *Summary*

### **Principles**

The Commission will:

- Take determined action to tackle unemployment.
- Seek a macroeconomic policy mix that is more conducive to growth.
- Aim for growth that is more employment-intensive.
- Firmly adhere to the objectives of economic stability.
- Improve economic conditions on the supply side.
- Envisage back-up measures on the demand side.
- Improve the functioning of the labour market.
- Establish broad equality of job opportunities for all groups.

## Summary (continued)

### Macroeconomic policy

The Commission will:

Seek a better mix according to:

- (i) the degree of stability achieved (monetary policy),
- (ii) the degree of budgetary consolidation and/or the public debt servicing burden.

Ensure that the trend in nominal incomes in countries with persistently high inflation is adjusted to the intended slowdown in price increases.

Ensure that the trend in real labour costs contributes to the viability of a larger number of jobs, thereby boosting employment.

### Safeguarding vigorous investment beyond 1985

The Commission will:

Examine the room for manoeuvre, notably for encouraging private and public investment; European infrastructure projects could not only help to boost demand within the Community but would also produce a high social return.

### Reinforcing employment policies: labour market and adjustment of working time

The Commission will:

Emphasize the need for specific policies to promote employment.

Work for the creation of a modern labour market.

Promote equal opportunities on the labour market.

Promote adaptation of working time.

Report on the economic situation in the Community in the first, second and fourth quarters.

### Higher growth and employment: Commission action to foster convergence

The Commission will:

Endeavour to revive the dialogue with and between the two sides of industry at all levels.

Make full use of its powers under the Treaty to:

- (i) coordinate Member States' economic policies,
- (ii) promote cooperation in the field of employment.

Present a communication and, where appropriate, proposals on general and specific problems of economic and employment policy, in particular:

- (i) principles and procedures of a forward-looking labour market policy,
- (ii) sectoral trends in employment, with special regard to the introduction of new technologies,
- (iii) the adaptability of the labour market, including the adjustment of working time.

Seek to step up technical efficiency in applying the borrowing and lending instruments.

Put forward proposals for the renewal of NCI III, with the focus on improving competitiveness in the Community.

## The European social area

56. The creation of a large market must go hand in hand with the creation and organization of a European social area. The beneficial effects of a large market would be dissipated if some Member States were to seek a competitive advantage by sacrificing social achievements. The existence of a European social area should therefore prevent 'social dumping' practices, which are so damaging to overall employment. This area would foster the harmonization of living, training, and working conditions and thus help to improve occupational mobility and lead to a more efficient labour market.

Policies based on agreements and negotiation between management and labour are one of the cornerstones of this new social area, which cannot, after all, be built without taking account of the views and aspirations of the people involved. This calls for a renewed social dialogue, giving due weight to the Community dimension, which alone can create optimum conditions for genuine economic recovery (see point 40) and enable European countries to meet the challenge of new technologies. The Commission will do all it can to promote renewal of this dialogue, within the context of the European social area, focusing on two priority areas: (a) the labour market and the organization and distribution of work and (b) the introduction of new technologies. These issues will be approached with a firm resolve to defend and expand employment, adapt European industry, and preserve the basic achievements of the European social model.

The Commission would like to see the social dialogue leading to Community-wide framework agreements to which employers and unions could refer during collective negotiations at national, industry or company level.

The Commission will consult the two sides of industry on any specific action it undertakes in the social, educational and family welfare fields. It does not intend to supplant the Member States in tackling the entire range of social problems; rather, it will demonstrate, by making full use of its prerogatives, what the Community approach has to offer in terms of understanding and solving problems. (Many of the questions relating to employment, restructuring, and the operation of the labour market are dealt with in the preceding section.)

## Organization

### Harmonization of the conditions enjoyed by workers with regard to employment, training and consultation

57. The Commission will:

- (i) facilitate the reopening of the dialogue between the two sides of industry on the social repercussions of the creation of a large market,
- (ii) launch a second action programme on safety and health at work,
- (iii) submit a recommendation concerning the employment of the handicapped, to be followed by proposals on mobility, access to housing and social security,
- (iv) press ahead with work in hand aimed at approximating immigration policies, strengthening the rights of migrants, and promoting their social integration,
- (v) submit a communication on the improvement of living and working conditions.

### Joint guidelines for the future development of social security systems

58. Given rising expenditure, the ageing of the population and the increase in health care costs, steps should be taken to ensure that social security reforms do not create new obstacles to the free movement of individuals or lead to unfair advantages in terms of competitiveness. To this end, the Commission will transmit a communication on the subject to the Council in 1985.

### Equal treatment for men and women

59. The Commission is well aware that sex discrimination persists in practice and will therefore press for early adoption of the draft directives on equal treatment presented to the Council. It will take particular care to ensure that current Community standards are properly applied. It will also look for any loopholes in the regulations aimed at effective enforcement of the principle of equal treatment and will, if necessary, submit proposals for improving or expanding them.

The Commission will wind up the current action programme (1982-85), evaluate the results and draw up a new medium-term programme. This will:

- (i) ensure that existing achievements—notably directives, recommendations and resolutions—are followed up;
- (ii) consolidate *acquis communautaire* on the legal front;
- (iii) develop measures to promote equal opportunities in practice and cushion the effects of structural inequalities rendered more acute by the economic situation.

### *Cooperation (information, training, education)*

60. The Commission will:

- (i) put forward a programme aimed at promoting cooperation between industry and the academic world at Community level. The aim, parallel with the development of cooperation between European firms, is to improve the training of specialized workers—with a view to advancing industrial research and development and controlling the social repercussions of technological change;
- (ii) work towards encouraging closer relations between education systems. A period of study in another Community country should become the norm rather than an exception in a student's career. An additional effort will be made with regard to the mutual recognition of diplomas;
- (iii) encourage cooperation between those involved in vocational training through studies and exchanges of information and experience, to improve the match between training programmes, the real world and developments on the labour market.

### *Social policy measures*

#### **European Social Fund**

61. The Commission will adopt new guidelines for management of the Social Fund for the period 1986-88. These guidelines will:

- (i) clarify and simplify the criteria for Social Fund intervention,
- (ii) introduce stricter criteria for the assessment of applications for priority financing,
- (iii) tighten the link between Social Fund financing and Community objectives, particularly as regards new technologies,

- (iv) ensure a stronger concentration of resources in areas with high levels of unemployment or those experiencing industrial restructuring.

Since at least 75% of the Fund's resources are already earmarked for the young, the Commission feels that the emphasis should be on training/work experience schemes and specific projects to promote job creation and training in the new technologies.

The Commission will also improve administration of the Fund and coordination of its activities with those of the other structural Funds.

#### **Measures to assist young people**

62. To mark International Youth Year the Commission will produce a communication advocating an integrated youth policy. This will report on the situation of young people, with particular reference to training opportunities more adapted to the requirements of the labour market (broader and sounder education, apprenticeships backed by school courses). It will define schemes to promote this policy (intervention by the Social Fund) and propose a number of measures to help the young to affirm their identity (encouraging young people's participation and initiatives). Emphasis will be placed on measures specifically aimed at the most vulnerable groups.

#### **Combating poverty**

63. The Commission will launch implementation of the second poverty action programme. The programme will combine action-research based on cross-national projects with regular exchanges of information on experience gained.

Projects will be organized at grassroots level around common coordinated themes and will go beyond the traditional exchanges of information between different countries.

#### **Analysis of population trends**

64. The Commission will undertake an analysis of studies by various international organizations and the Community institutions on the implications of current population trends with a view to promoting reflection on this issue, increasing awareness of its importance and identifying areas in which the Community could act.

## *Summary*

### **Organization**

The Commission will:

Submit a communication on immigration policies.

Launch a second action programme on safety and health at work.

Submit an initial recommendation on the employment of the handicapped.

Transmit a communication on living and working conditions.

Transmit a communication on the future development of social security systems.

Follow up the action programme on the promotion of equal opportunities for women and prepare a new one.

### **Cooperation**

The Commission will:

Put forward a programme aimed at promoting cooperation between industry and the academic world.

Encourage closer relations between education systems.

Promote cooperation between those involved in vocational training.

### **Social policy measures**

The Commission will:

Adopt new guidelines for management of the Social Fund for 1986-88.

Present a communication advocating an integrated youth policy.

Launch implementation of the second poverty action programme.

## **Building the Community**

### **Agriculture**

65. Reform of the common agricultural policy, designed to help European farmers to offer a coherent response to the interrelated problems they will have to face in the second half of the 1980s, will continue in 1985.

The price proposals for 1985/86 are an extension of the guidelines and measures approved for 1984/85. But the Commission is well aware that this type of reform—however necessary it may be given present circumstances and current budgetary constraints—is leading to new economic and social difficulties.

For this reason, the Commission has formally announced its intention of organizing a discussion before the end of June, within the institutions and with the farming organizations concerned, with a view to defining new prospects for European farming.

#### **Short-term objectives: rational organization of the markets and efficient structures**

66. For the immediate future, there is no alternative to:

- (i) maintenance of a prices policy more closely adapted to real conditions on internal and external markets;
- (ii) continued application of guarantee thresholds, in accordance with the guidelines already approved by the Council, so that if Community production exceeds certain limits, part of the cost will be borne by farmers themselves;
- (iii) adjustment of the structures policy along the lines proposed by the Commission more than a year ago.

On this basis, the Commission will be taking action in the following fields.

### **Financing**

67. Finance will again raise formidable problems in 1985, because of the funds that will be needed to guarantee prices (in its 1985/86 price proposals the Commission put these at 19 955 million ECU in the light of the situation prevailing in January) and of requirements over a number of years for the structures policy. The Commission will seek the best ways and means of solving problems raised by the containment of agricultural expenditure. But it will continue to

comply with the Community's obligations to farmers and allow for the need to maintain activities which are indispensable if the requirements of the Community and its outside customers are to be met and if social and natural equilibria are to be preserved.

### **Markets policy**

68. The 1985/86 price proposals were sent to the Council and Parliament at the end of January. They fully reflect the guidelines and decisions approved by the Council on 31 March 1984 on the basis of COM(83)500. They are fully justified, since past disequilibria have grown more serious on certain markets. The Commission has confirmed the use of guarantee thresholds and the pursuit of a restrictive prices policy, and has made it clear that aids or premiums not properly adapted to requirements will be reviewed. In the interests of restoring a unified market, it has proposed alterations to the 'green' rates with a view to narrowing the 'monetary gaps'. The Commission is hoping that the Council and Parliament will endorse its findings so that Community agriculture can make a fresh start on a sound footing.

In particular, steps must be taken to cut back table wine production. Production is growing, consumption is either marking time or actually declining, expenditure is mounting, and the potential yield from Spanish vineyards will pose further problems. For reasons of consistency, action must be taken on markets and structures at the same time.

For the general public the situation of the fruit and vegetables market evokes an image of a bulldozer destroying tons of unsold or unused produce at a time when half of the world's population is short of food and many are dying of hunger. Public concern cannot be ignored. The Commission proposes to organize full and detailed information for the public, designed to explain the machinery which leads to this situation and to consider ways and means—in respect of production, distribution and consumption—of putting an end to this anomalous situation.

### **Structures policy**

69. The Community would be failing in its task and neglecting Treaty objectives if its restrictive prices policy were not supported by an effective structures policy. On 10 October 1983 the Commission tabled proposals on renewal of the instruments of its structures policy. They should be adopted without delay: the



Community needs a strong, diversified agricultural industry but small farmers must not be forced off the land.

### State aids

70. The Community's prices policy, combined with budgetary constraints, increases the risk of a 'renationalization' of the common agricultural policy, and in particular the adoption of national schemes for giving financial support to farmers. The Commission will ensure effective supervision of these aids to ensure that they do not jeopardize the Community's market management objectives.

### Obstacles to trade

71. There are still too many obstacles to trade in agricultural products within the Community arising from legislation on veterinary matters, plant health, animal feed, and seeds. The purpose of this legislation, in particular the protection of public health or animal or plant health, is such that harmonization is the only solution.

A work programme was adopted by the Council in 1984; more than 40 proposals are still pending, one for more than 10 years. The Commission will press for the adoption of these proposals, the most important of which concern:

- (i) initial measures for harmonizing action to control foot-and-mouth disease, experience in 1984 having shown the need for this if trade obstacles are to be avoided;
- (ii) action on hormones, a problem which must be solved with due regard to the need to protect consumers;
- (iii) rules on health protection in connection with milk (there are still major obstacles in this field);
- (iv) the problem of pesticide or aflatoxin residues, and revision of the plant health arrangements applicable in trade, with a view, in particular, to doing away with systematic import controls.

The ultimate aim of the regulations applicable in trade is the abolition of all veterinary and plant health inspections at frontiers. This will necessarily entail more thorough inspections before shipments reach the frontiers. The Commission will work to strengthen mutual confidence in the inspection arrangements operated by the Member States.

An effort must be made to give new momentum to work on animal protection. Work on the

establishment of codes of practice for the transport of animals and for intensive livestock farming must begin, with particular reference to laying hens. Discussions at Community level on the protection of animals used for experimental purposes must be intensified and preparatory work on the Council of Europe Convention must be pursued so that the Community can accede.

### World market

72. Further rationalization of the common agricultural policy should make it possible for the Community to operate on the world market on a sound footing, i.e. with improved competitiveness and lower costs. To this end, the Community needs export promotion machinery similar to that possessed by the developed countries with which it trades. Export refunds on their own cannot provide a basis for a fully-fledged common commercial policy for agriculture and food.

### Medium and long-term objectives: new prospects for European farming

73. In the years ahead the common agricultural policy must develop in such a way as to attain the goals set by the Treaty and Article 39 in particular. These include a fair standard of living for the agricultural community and food supplies at reasonable prices for the consumer.

The Commission is aware that Community farmers need medium and long-term objectives. If the common agricultural policy, while respecting Article 39 of the Treaty, failed to offer a better future to the next generation, its 'renationalization' would be inevitable, with all the damage this would be bound to inflict on the process of European integration.

For this reason the Commission will organize a discussion within the institutions and with the farming organizations concerned in the first half of 1985 to define new prospects for European farming. The aim, while complying with Treaty objectives, is to adjust the common agricultural policy so that it can respond more effectively to the need:

- (i) to maintain an efficient agricultural industry, which steadily improves productivity in the interests of farmers and consumers but respects wildlife and the countryside;
- (ii) to meet the challenge of finding outlets for agricultural production within the Community and on export markets;

(iii) to integrate agriculture more and more into the general economy so that the economic and social situation of country-dwellers can be improved not only through the common agricultural policy but also through other policies and instruments.

### *Fisheries*

74. Enlargement of the Community to include Spain and Portugal will mean a 90% increase in the number of fishermen, an 80% increase in fishing capacity, and a 45% increase in fish production for human consumption. Priorities for action will therefore be determined largely by the outcome of the enlargement negotiations, and the Commission will be proposing the introduction of a market organization covering Spain and Portugal. Since such an organization will have to start operating from the date of accession, the Commission will make its proposals as soon as negotiations are completed.

The content of the post-enlargement structural policy will also depend on the outcome of the negotiations.

As far as the existing Community is concerned, the Commission will take whatever action is necessary to monitor the proper implementation by the Ten of the Community's regulations on the resources side. This is necessary if the credibility of the policy is to be maintained. To this end it will propose Community arrangements to tighten existing controls and introduce a code for national aids to the industry.

Before the end of June the Commission will be presenting a proposal for a regulation instituting a fisheries research programme, laying particular stress on aquaculture and mariculture, fishing techniques and the processing and preserving of fishery products.

### *Forestry*

75. The Commission will pay special attention to forestry. There is a close relationship between forests, agriculture and industry.

As a major constituent of the environment, a precious asset and a major industry, forestry can make an effective contribution to the solution of certain basic problems the Community now has to contend with. Forestry should no longer be relegated to the fringes of European integration.

The Commission cannot appeal too strongly to the Council for rapid adoption of the numerous proposals on the development, protection and exploitation of the Community's forests submitted over the last two years.

The Commission is preparing a forestry action programme, which will be submitted to the Council and Parliament shortly, containing further proposals for strengthening forestry's role in the development of the Community.

### *Industry*

76. If industry in the Community is to become more competitive, more must be done to help it adjust to the emergence of a world economy and to all the attendant technological, economic and social changes. Steps must be taken not only to foster the development of the new growth industries but also to make greater use of new technologies in more traditional sectors.

#### **Restructuring crisis-hit industries: steel**

77. The measures taken by the Commission since 1980 (i.e. the reorganization of the market and the aids code) are now within sight of the two targets for 1986 set by the Community back in 1982—namely, to shed between 30 million and 35 million tonnes of hot-rolling capacity and to steer the steel industry back to financial viability.

(i) Since the market has deteriorated more than originally forecast and has required tougher restructuring than some Member States had at first anticipated, more aid than conditionally approved by the Commission on 29 June 1983 will inevitably be needed in certain cases. The Council is currently considering the Commission's proposals to revise the aids code. An equitable solution must be found soon. Otherwise there is a danger that the 31 December 1985 time limit for granting aid and for completion of the restructuring process might be called into question, thus putting at risk the unity of the common market first in steel products then, as the disease spreads, in other goods.

(ii) In the second half of the year the Commission will therefore be adopting its general objectives for steel for 1990 and putting to the Council the broad lines of its policy for the years after 1985 on the operation of the steel market and on the precautions to be taken to avoid general aid schemes being extended to the steel industry. These will take due account of the

need (a) to avoid relapsing into the state of affairs which the measures taken over the last few years were meant to cure and (b) to create a climate which encourages further restructuring to tailor the steel industry to its real market.

(iii) Today's restructuring is having a dramatic impact on life and employment in a number of steelmaking regions where alternative industries have been slow to step into the gap. By 1987 the Community steel industry will have shed close to 310 000 (40%) of its jobs. Faced with this prospect, the Commission proposed a parallel package of social measures, not all of which have been approved by the Council to date.

The Commission will press ahead with its endeavours to secure funds needed to support the Member States' diversification programmes. In 1985 it will put forward fresh proposals to expand and improve coordination of Community intervention. This includes ECSC conversion loans, aid from the ERDF, ECSC redeployment aid and the schemes sponsored by the European Social Fund to train and find work for young people and the unemployed.

The industrial side of the plan to combat the steel crisis cannot succeed if the social side fails.

#### **Innovation strategy**

78. The Commission will carry out a survey of the competitiveness of European industries in the high technology sector, including a detailed analysis of the strategies followed in this field in the United States and Japan. It will ensure that the definition and implementation of technological priorities are underlined in an industrial approach. It will help in the promotion of innovation in the form of the translation of technological development into industrial terms. It will step up its efforts to ensure that in 1985 the Council agrees to the setting up of a European innovation loan combining the use of NCI and Community budget. In 1985, too, the Commission will recommend an increase in the amounts allocated for the financial promotion of a common market for innovation that will permit the establishment or development of small businesses using advanced technologies.

#### *Information technologies and telecommunications*

79. In the information technologies and in telecommunications the achievement of the objectives of innovation strategy will entail raising

the technological level in Europe, broadening and opening up the market, setting up advanced communications infrastructures and, lastly, creating a favourable environment all round.

With this in view, the Commission will propose in 1985 that the links between the Community programmes and the strategies of industrial companies be strengthened; it will also seek to bring the Community projects more closely into line with similar national programmes.

In the telecommunications sector, an initial 12-month phase for the RACE (research in advanced communications in Europe) programme will be proposed by the Commission for completion in 1985. The main 5-year phase will have to begin in 1986. Lastly, a medium-term assessment of the results of Esprit will be prepared in the course of 1985.

With regard to the enlargement of the market, major progress will have to be achieved in 1985. It will involve:

- (i) the implementation of common standards to ensure the compatibility of equipment, services and networks throughout the Community;
- (ii) the opening of public procurement contracts to competition;
- (iii) the setting up of advanced systems for data transmission between national and Community administrations; and
- (iv) progress towards the establishment of advanced communications systems between the major economic entities in the Community.

Over the next four years the Commission will also be proposing the setting up of appropriate infrastructures in the field of telecommunications. The aim is that advanced telecommunications networks and services will be available by the turn of the century to integrate data processing, telecommunications and the audio-visual technologies. The projects will concentrate on the improvement of industrial structures by launching projects of common interest (e.g. video communications and mobile cellular radio) and a programme of technological development aimed at establishing broad-band communications networks in Europe (RACE programme).

A common infrastructure for these networks will be gradually installed. Finally, the Commission will propose improved access to the advanced telecommunications services and networks for the least-favoured regions.

The creation of an environment favourable to the information technologies and telecommunications will entail the promotion and wider use of those technologies within Europe and control of the social repercussions.

In 1985 and later, existing projects will be followed up, or new ones launched, to provide greater legal protection for the individual against the risks that might ensue from the development of automatic data processing and to ensure adequate legal protection for software; to improve the safety and confidentiality of network data; to integrate education more closely with the strategy followed in the information technologies; and, lastly, to ensure that the policies on trade and competition are consistent with the general objectives (reciprocity and compliance with the rules on competition).

### *Production technology*

80. In response to the request by the Ministers of Industry the Commission has made a detailed study of advanced production equipment and its impact on the automation of industrial production in the Community.

The Commission's study highlights the major changes which will result, affecting industry as a whole in terms of the technologies used, economic structures, financing, employment and qualifications.

In the light of this analysis further to its statement on the machine-tool industry (SEC(83)151 of 8 February 1983), and taking into account the information gained through the Esprit programme, the Commission will be submitting a series of guidelines to the Council on:

(i) standardization: in view of the key importance of standards for both the manufacturers and the users of advanced equipment, the Commission proposes that work should start immediately;

(ii) exploiting European technological potential: the aim is to achieve greater synergy between the various national programmes, to stimulate cooperation between firms in the mechanical engineering, electrical engineering, electronics and data-processing industries and to promote the mutual exchange of technological information within the Community;

(iii) structural and financial aspects: the Commission proposes a joint study with the Member States on the whole question of aids and their

effectiveness in particular, with a view to making better use of the European dimension;

(iv) the human factor: the Commission stresses the need to implement partnership programmes (COM(84)6 final) and to encourage dialogue between the employers and unions on the problems of automation.

Implementation of these guidelines could be based on the coordinated annual reports which the Commission proposes to entrust to a number of independent institutes in various Member States.

### *Biotechnology*

81. The position which biotechnology holds among the Commission's priorities is justified both by the spectacular nature of its achievements (domestication of isolated enzymes, transfer of genes between different species and artificial synthesis of genetic information) and by the great strides forward in medicine, agriculture and industry which can be brought about by a knowledge of life chemistry and its exploitation.

Although it has first-rate assets such as tradition and firmly established industrial know-how, high-quality basic research and an abundance and wide variety of vegetable and animal products, the Community is definitely lagging behind in the field of biotechnology.

In 1984 the Council accepted the principle of Community projects in biotechnology to encourage the formation of groups for research and information exchange within the Community and thus catalyse the sharing of infrastructures and transnational cooperation.

In 1985 the Commission will act to promote the concertation of national policies, changes in the rules on agricultural raw materials required by the processing industries, and the harmonization of standards and regulations that affect the formation of a large European market for biotechnology products.

### *SMEs and the craft industries*

82. SMEs and the craft industries are a key feature of the Community's economic fabric, with almost 60% of the working population in the Community employed in this sector.

The Commission's objective is to sustain and enhance the competitiveness of small businesses both inside and outside the Community.

In this context, completion of the internal market is of prime importance.

The Commission will concentrate on three fronts:

(i) improving the services offered to SMEs by outside bodies in the following areas: administrative, commercial, legal, technical and scientific information, market studies, management and marketing consultancy, finding partners, etc., and the creation of a network of 'one-stop shops';

(ii) adapting vocational training to the requirements of SMEs, who are both 'consumers' and 'suppliers' of training: amendments to the guidelines for the Social Fund to enable SMEs to make better use of it;

(iii) improving the use of Community financial instruments to ensure that they are as effective as possible and tailored to the needs of SMEs (transparency, publicity, guarantees).

### *Research and development*

83. Europe needs a consistent policy on research and development. At Community level this is not so much a matter of strengthening research but rather of encouraging the pooling of efforts. It also involves promoting cooperative research and breaking down the barrier between academic and industrial research to facilitate the transfer of knowledge to industry. This is the direction in which current Community R&D programmes such as Esprit and Brite or the RACE programme mentioned earlier are tending to move.

The Commission will continue with the implementation of the 1984-87 outline programme of Community scientific and technical activities. In this context it will be launching the eight R&D programmes included in the outline programme and adopted at the end of 1984. These are the programmes on radiation protection, basic technological research, the stimulation scheme, biotechnology, non-nuclear energy, reactor safety, thermonuclear fusion and radioactive waste. The Commission will also propose that the environment and raw materials programmes be renewed.

The Commission will also be placing the accent in 1985 on the need to create a European science

and technology area, encourage mobility among research workers, establish a network of cooperation between research centres, and promote technology transfer in liaison with other international organizations, notably the Council of Europe, working in the research area. It will also present a communication on the funding and management of research and development in the Community.

Finally, the Commission will be carrying out a comparative study of national R&D policies which will serve as the basis for defining new programmes and revising the Community outline programme.

### *Energy*

84. Secure energy supplies at reasonable prices are vitally important for the economy of any industrialized country. They are essential if Europe is to re-establish competitive structures and return to the path of economic growth.

#### *The Community's energy objectives*

85. Since 1974 the Community has been making every effort to improve its energy supply and demand structure, particularly by setting itself specific objectives. The last of these, to be achieved by 1990, were adopted in 1980. In the main they involve reducing the volume of energy used per unit of GDP, reducing the proportion of energy supplies covered by oil and increasing by the same amount the proportion covered by solid fuels, nuclear energy, gas and new or renewable sources of energy. More generally, the aim is to diversify external sources of supply as far as possible and promote the development, on reasonable economic terms, of energy-saving and the Community's own energy sources.

The Council has therefore recognized the advantages of a well-coordinated, ambitious programme for energy. The elaboration of this programme will be one of the Commission's key priorities. It hopes to send the Council a communication on further objectives for 1995 in the second quarter of 1985. The necessary preparatory work has already been completed.

An important factor in this context is the Commission's examination of the application of energy-pricing principles. Current discussions within the Council should culminate in further progress in 1985 and another Commission communication on oil prices. A second factor was

the publication in November 1984 of the indicative nuclear programme of the Community, covering the next 15 years. This will be adopted in 1985, pursuant to Article 40 of the Euratom Treaty, once the opinion of the Economic and Social Committee has been obtained. A third factor is that the Commission departments will be sending the Community institutions a study on energy prospects between now and the turn of the century during the month of April.

### Energy yields and the efficient use of energy

86. The Commission plans to send proposals to the Council by the middle of 1985 on:

- (i) the efficient use of energy in transport;
- (ii) the efficient use of energy in industry;
- (iii) policy on power and heat;
- (iv) new and renewable energy sources.

### Energy supplies

#### *Solid fuels*

87. Current Community rules authorizing national aids to the coal industry, which would otherwise be illegal, expire at the end of 1985. The Commission will be putting forward proposals for new rules in the first half of 1985 and will make every effort to ensure that they cater for all problems arising in the solid fuels sector.

#### *Hydrocarbons*

88. Refining and imports of oil products from non-Community countries continue to give cause for concern, given the need to restructure the sector which must adjust to new market conditions. The Commission sent the Council a communication on the subject in February. It hopes that discussion of its ideas will produce a broader consensus on how to deal with present difficulties.

In 1985 the Community, on the basis of proposals from the Commission, must pursue its efforts to control the use made of its strategic oil stocks, notably to prevent speculative movements when the market is tense. It must also seek to improve the security of natural gas supplies. Imports here will probably increase significantly between now and the turn of the century.

### *Nuclear energy*

89. The Commission hopes that the Community will reach agreement in 1985 on amendments to Chapter VI (Supplies) of the Euratom Treaty. The Commission will continue to monitor the smooth functioning of the agreements with the main countries supplying the Community with nuclear materials and services.

### Pre-industrial application of innovative technologies

90. Demonstration projects:

Existing arrangements for financial support for innovative projects in energy saving and new and renewable sources of energy (including coal liquefaction and gasification) expire at the end of 1985. The Commission submitted proposals in February for adapting these arrangements and extending them for a further five years.

Hydrocarbon technology programme:

Proposals to extend this programme—also for a further five years—were submitted at the end of 1984. The Commission will press for early adoption by the Council.

### *Transport*

91. There are two ways in which transport policy can help towards achieving sustained economic growth:

- (i) a more open and efficient transport system will help Community industries to become more competitive;
- (ii) large-scale infrastructure projects—extremely necessary to improve the efficiency of the transport network—will have a direct impact on job creation.

The Commission will concentrate its efforts in these two areas.

### Opening up the transport network

92. Considerable progress will have to be made before it is possible to open up the transport network and the Commission will be urging the Council to consider its proposals without delay.

On sea transport, the Commission will seek to halt the decline in the Community's merchant

fleets by proposing measures to combat unfair financial and social practices.

On air transport, the Commission will defend its proposals, believing that greater flexibility of operation will lead to lower fares without affecting safety standards.

On rail transport, the Commission will continue to suggest that infrastructure financing be reorganized to end the distortion of competition between rail and road.

In addition, the Commission will keep up the momentum by submitting new proposals to phase out road haulage quotas, to stimulate combined road/rail transport, to harmonize road vehicle weights and dimensions, and to simplify border controls.

### **Infrastructure**

93. Community agreement on a medium-term programme for major infrastructure projects will be a top priority. A first document was sent to the Council in December 1984. The Commission is hoping for real progress in discussions in Parliament, in the Council and with both sides of industry before making more concrete proposals. But, whatever happens, it intends to submit these proposals some time in 1985.

It will also be putting forward proposals on infrastructure development. Indeed, a programme of projects for 1985, for a total cost of 90 million ECU, has already been sent to the Council.

The programme contains a number of schemes aimed directly at improving border-crossing facilities for heavy goods vehicles. The Commission will also be pushing for new guidelines for negotiations with transit countries important to Community road hauliers (Austria, Switzerland). The Commission will shortly adopt its position on methods of infrastructure financing (road tolls, taxes, etc.).

### **European Road Safety Year**

94. Transport policy directly affects the daily life of European citizens. 1986 will be European Road Safety Year. The Commission intends to go beyond the general political declaration made by the Council in December 1984 and to put proposals to the Council in three specific areas: special safety rules for road users and vehicles and projects designed to increase safety by

improving road conditions (road signs, cycle paths).

The Commission feels that it is essential to involve the general public by mounting a massive publicity campaign on transport issues in cooperation with Parliament and the Member States.

### ***The regions***

#### **Priority objectives**

95. All Community structural operations, and regional policy in particular, are concerned with reducing structural differences between regions in the Community and promoting the economic convergence which is an essential adjunct to the development of the internal market. The Commission has four main objectives for regional policy in 1985:

- (i) to accentuate the regional dimension of the other Community policies by bearing in mind their potential regional impact;
- (ii) to continue its efforts to improve the coordination between its own regional operations and those undertaken by the Member States;
- (iii) to make use of the whole range of support instruments to finance development projects in the Community's less-favoured regions;
- (iv) to enhance the effectiveness of the structural financial instruments, which will require action to coordinate these instruments and to improve methods of assessment and evaluation.

#### **Implementation of the new ERDF Regulation**

96. The new Regulation on the European Regional Development Fund, which the Council adopted on 19 June 1984, gives the Commission the means to develop its own intervention strategy and to ensure that greater attention is paid to Community objectives in projects receiving ERDF assistance. In 1985 the Commission will be endeavouring to:

- (i) establish closer dialogue with the institutions and with the Member States and regional and local bodies;
- (ii) coordinate national regional policies with Community objectives, notably by means of the regional development programmes (RDPs), which should make it possible to identify priority areas for assistance;

(iii) enhance the effectiveness of Community assistance by promoting coherent, multiannual operations and by using the various financial instruments in conjunction with national and local resources;

(iv) strengthen arrangements for assessing and making allowance for the regional impact of Community policies. In this context, the Commission considers it particularly important that the less-favoured regions should be in a position to participate from the outset in the developments stimulated by the introduction of new technologies. In 1985 it will take a number of important steps to achieve this, namely:

(a) establishment of the European Business and Innovation Centre Network (dissemination of new techniques, support for innovative SMEs, developing indigenous economic potential),

(b) preparation, within the framework of the new ERDF, of a Community advanced-telecommunications programme for less-favoured regions,

(c) preparation of a Community programme directed towards exploiting the potential of new energy resources in less-favoured regions with a high rate of dependence on imported energy;

(d) extension of tried and tested schemes to assist small and medium-sized businesses;

(e) development of technical cooperation with the Member States and the least-favoured regions which desire it. The objective is to extend this cooperation gradually to cover both the preparation and the actual execution of projects and programmes. This will also provide an opportunity to give regions fuller information on the assistance available from the structural Funds and the other financial instruments.

Similarly a start will be made in 1985 on a fundamental appraisal of regional aids in the broader framework of the efforts to consolidate the internal market.

### Effectiveness of the structural instruments

97. The Commission has been coordinating the financial instruments for structural purposes since 1977. More recently, the conclusions of the Stuttgart European Council in June 1983 prompted the Commission to prepare a comprehensive report on ways of increasing the effectiveness of the Community's structural Funds. The report proposes the introduction of *ex ante* socio-economic assessment and *ex post* evaluation of projects and programmes and tighter monitoring arrangements and control methods.

These will be applied and used for the first time in 1985, with the help of the Member States.

### Integrated Mediterranean programmes

98. The integrated Mediterranean programmes (IMPs) are the result of a proposal made by the Commission in its 1981 reply to the mandate of 30 May 1980.

Their purpose is to help the disadvantaged regions of Greece, southern France and part of Italy to cope with the consequences of enlargement. But they are also a response to the questions raised in the Greek Memorandum of January 1982.

The Commission would like to build the IMPs into a fully fledged Community policy. They demonstrate a way of coordinating progress of the common market with efforts to advance the weaker Community regions towards the standards of the stronger, and they will be an outstanding example of the structural instruments in action.

The Commission sent a new communication to the Council in February in which it emphasizes three innovatory aspects of the programmes:

(i) they constitute an all-encompassing response to the specific problems of diverse Mediterranean regions, based on a three-point foundation: the development of human potential; adaptation to the new national and international context; and support when the employment and incomes situation so demands;

(ii) they will orchestrate intervention by the full range of structural instruments: the present structural Funds and borrowing and lending instruments will be deployed together, a special budget heading being used for coordination purposes;

(iii) implementing arrangements are notable for their flexibility (in making room for regional initiatives and simplifying the implementing regulations) and by their strict monitoring standards (underwritten by the involvement of the President and a group of Members of the Commission and secured by the use of cost benefit analysis and the requirement to produce an annual report).

The scale of funding will depend on the quality of the programmes and on the effort that the recipient regions and Member States will be able to make. The Commission considers that the programmes should be allocated additional funding under the budget of at least 2 000 million ECU over seven years, on the understanding



that the additional loans to be made available through interest subsidies under the IMPs would amount to about 2 500 million ECU over the same period.

The Commission will do all in its power to ensure that the Council adopts an outline regulation soon enough for the programmes to be launched before the end of 1985.

The Commission considers that considerable powers should be delegated to it in order to respect the twin requirements of effectiveness and strict standards as laid down in the conclusions adopted by the European Council on the IMPs at the Brussels and Fontainebleau meetings in 1984.

The integrated Mediterranean programmes could then be an exercise in coordination of the Community's structural instruments which would meet the European Council's wish as expressed at its Stuttgart meeting. At the same time their operational flexibility and the emphasis given to consultation in their preparation will bring great benefits to the most disadvantaged Mediterranean regions in general and those with weak administrative infrastructures in particular.

## *Environment*

99. The quality of the environment in which people live and work is becoming increasingly important for the people of Europe, as can be seen from the fervour of the public debates held in a number of countries. This matter will be discussed at the European Council in March and at the Western Economic Summit in May. It will be the decisive factor as regards designating 1987 European Environment Year. The Commission will be stepping-up its efforts to improve the environment, and the living and working conditions in each of the Member States, taking into account three interdependent factors: the definition of areas for action, the adjustment of production structures, and the impact on growth and job creation.

## *Improving the quality of life*

100. The destruction of forests, the acidification of lakes, the accumulation of dangerous chemicals in soil and water and the major accident hazards of industrial plants are all phenomena which the people of Europe find very disturbing.

Prevention therefore remains the fundamental objective of the Community's policy. Crucial to this approach is adoption by the Council of the directive on environmental impact assessment which has been held up for two years now.

It is evident from the current negotiations that air pollution and acid rain will remain high on the agenda. The Commission will take steps to ensure early adoption of its proposals on the lead content of petrol, motor-vehicle emissions and emissions from large combustion plants.

A second priority area will be management of the many and varied types of waste generated within the Community. The Commission will concentrate on three aspects. First of all, the potential for re-using and recycling waste must be exploited to the full. In the longer term, the solution lies in the introduction of clean technologies. An overall strategy combining recycling techniques and alternative technologies will further the attainment of environmental, economic and job-creation objectives. Secondly, the control and limitation of the dumping of waste at sea, the prevention of marine pollution and action to deal with accidental pollution are important aspects of the tasks facing the Commission. An amended directive on the dumping of waste at sea is being prepared and, last but not least, the Commission will pay special attention to the hazards involved in using nuclear energy, focusing on two aspects, protection for people living and working in the vicinity of nuclear installations and the storage of nuclear waste. The Commission will make specific proposals on both aspects.

The Commission is concerned about the environmental aspect of development policy. The third Lomé Convention calls for a joint review of environmental problems by the Community and the ACP States. A directive on exports of dangerous chemicals to non-member countries is being prepared. It is important that Third World countries should be aware of the nature of the chemicals they buy and use.

In preparing the fourth action programme on the environment, the Commission will emphasize the importance of long-term strategies in a sphere which by definition is highly complex. In some instances an effort must be made to move beyond simple assessment of the short-term effects and to consider the longer-term consequences of an environmental policy.

An improvement in the quality of life also entails respect for animals in the Member States and in the Community's dealings with the rest of the world. The regular debates on the hunting of seal pups should not be allowed to distract atten-

tion from the many questions raised by the exploitation of animals in Europe: the use of animals for experiments, factory farming, trade in animals and the processing of animals for consumption. The Commission will examine all possible steps which can be taken in this connection.

Lastly, it is necessary to keep the general public fully informed of environmental problems. Parliament will play an important role in this process of consultation and information.

### **The environment and industrial policy**

101. The Commission will endeavour to ensure that environmental considerations be integrated into policy planning in all sectors of the Community economy and will see to it that this is done in areas where it has a leading role. This applies not only to agriculture, but to energy, transport and industry in general.

The economic advantages of an environment policy should be emphasized. The competitiveness of European industry on world markets in the 1990s will depend to some extent on whether or not European products match the environmental standards of products from elsewhere. Unless the Community acts rapidly to meet these standards, European industry will lose ground not only on the world markets but also on the home markets since European consumers are increasingly demanding techniques and products which do not harm the environment. Hence improving the quality of the environment creates new jobs and also protects existing ones.

### **Employment**

102. Environment policy will have an impact on employment in the Community.

The Commission will endeavour to identify the employment implications of all the action to which its environmental concerns have given rise. In addition, it will endeavour to ensure that the positive effects on employment generated by an environment policy coordinated at Community level are perpetuated and magnified.

The effects on employment will result from the three levels of Commission action. Integrating environmental concerns into industrial strategies will lead to new products being offered by traditional sectors (which will in turn affect demand) and new production processes, which could alter working conditions. In addition, new, 'clean' products or techniques will be developed and result in job creation in new sectors (the environment industry).

The scale of environmental requirements in terms of preventing or dealing with industrial hazards, makes this a prime area for inclusion in programmes for the coordinated development of major infrastructure schemes of interest to the Community. This would not only improve environmental conditions but would have job creation implications akin to those to be expected from all investment stimulation measures.

Lastly, on a more decentralized level, the Commission's environmental policy may help to support activities producing commercial and non-commercial goods and services activities meeting individual or collective demands for a better environment. Often linked with local strategies to combat unemployment, the fact of taking environmental needs into account has in recent years highlighted the existence of spheres of activity not yet covered by the traditional sectors. The Commission's approach to the environment should seek to explore these new avenues in the search for new job opportunities.

### ***Consumer protection***

103. The Commission will press ahead with implementation of the second action programme.

In its management and implementation of existing measures, the Commission will see to it in particular that the system for the rapid exchange of information on dangers resulting from the use of consumer products comes into operation.

The Commission will press for early adoption of proposals before the Council, including those on toy safety and product liability. The Commission will present a package of proposals relating to consumer protection and information. The principal objectives will be the safeguarding of the health and safety of consumers. The package will include a directive on chemical preparations used in households.

Later in the year, the Commission will propose an action programme on the prevention of home and leisure accidents.

The Commission will carry out work on a number of projects of special interest to consumer safety, in particular the creation of a data bank on accidents and the protection of children. The Commission will also work on measures to protect the consumer's economic interests, including the publication of regular surveys on prices for products or services in the different Member States.

### **Agriculture**

The Commission will:

Launch a discussion to define new prospects for European farming.

Pursue a policy on prices more closely adapted to real conditions on the internal and external markets.

Press for the adoption of directives on the abolition of veterinary, health and plant health inspections at frontiers.

### **Fisheries**

The Commission will:

Propose a post-enlargement structures policy.

Set up a research programme.

### **Forestry**

The Commission will:

Work for early adoption by the Council of its proposals on the development, protection and exploitation of forests.

Present a forestry action programme.

### **Industry**

#### *Restructuring crisis-hit industries: steel*

The Commission will:

Press for the adoption of its proposals for revision of the aids code.

Submit proposals to reorganize the market and control aid payments beyond 1985.

Press ahead with action to secure financial support for the various diversification programmes.

#### *Innovation strategy*

The Commission will:

Propose an initial 18-month phase for the RACE programme on telecommunications; the second phase will begin in 1986.

Prepare a medium-term assessment of the Esprit programme.

Implement common standards to ensure compatibility between equipment, services and networks.

Follow up action on the legal protection of the individual, data and software.

Present a report on production technology.

Carry out action to concert national policies and create a European market for biotechnology products.

### **Research and development**

The Commission will:

Continue implementation of the 1984-87 outline programme of Community scientific and technical activities.

Present a communication on the funding and management of R&D.

## Summary (continued)

### Energy

The Commission will:

Establish further Community objectives for 1995.

Present proposals on the efficient use of energy in transport and industry.

Implement policies on power, heat, and new and renewable energy sources.

Implement the necessary sectoral policies to guarantee adequate energy supplies and press ahead with restructuring of the Community's energy industry.

Continue work on the revision of Chapter VI of the Euratom Treaty.

### Transport

The Commission will:

Propose measures to combat unfair practices in sea transport.

Press for the adoption of its proposals on air transport.

Seek agreement on a medium-term programme for major infrastructure projects.

Present proposals on road safety.

### The regions

The Commission will:

Accentuate the regional dimension of the other Community policies.

Implement the new ERDF Regulation.

Enhance the effectiveness of the Fund by promoting programmes (other than the IMPs) involving the coordinated use of the various structural financial instruments.

Put into practice new methods of assessing projects financed under the ERDF.

Propose an advanced telecommunications programme for the less-favoured regions.

### Environment

The Commission will:

Pursue the third action programme and press for environmental considerations to be integrated into other common policies.

Seek early adoption of its proposals on the lead content of petrol, motor vehicle exhausts and emissions from large combustion plants.

Propose a directive on the dumping of wastes at sea.

Make specific proposals on the protection of people living or working close to nuclear installations and on the storage of nuclear waste.

Prepare a directive on exports of dangerous chemicals to non-member countries.

### Consumer protection

The Commission will:

Implement the second action programme.

Propose directives to promote consumers' interests.

Propose an action programme on the prevention of home and leisure accidents.

## External relations

### *The Community and the world*

104. In its relations with the rest of the world the Community has:

- (i) a well-established identity,
- (ii) a sound legal basis for the conduct of trade policy in particular, and
- (iii) agreements with over a hundred countries on matters ranging from commercial policy to economic and financial cooperation.

The Community's authority in the world at large depends primarily on its internal cohesion. When it talks with one voice it is heard with respect. As it works towards the goal of a fully-integrated internal market in 1992, it will strengthen its influence on other countries and in international forums.

To this end it will have to:

- (i) extend and intensify economic cooperation with those countries;
- (ii) pursue an active commercial policy aimed at securing the smooth expansion of international trade, buttressing the world trading system and promoting and defending Community interests; and
- (iii) develop a consistent overall approach which takes account of financial and monetary considerations as well.

### *Multilateral relations*

#### **International economic order: economic and monetary problems**

105. Laying the foundations for more sustained and better distributed economic growth is an essential task, and it is primarily the responsibility of the industrialized world.

In this respect, the Bonn Economic Summit will provide a good opportunity for enhancing the compatibility and effectiveness of the macro-economic policies of the major industrialized countries. Sustained growth of economic activity and world trade is essential as a means of cushioning the social tensions which inevitably result from structural adjustment policies and which are particularly marked in developing countries forced to reduce their budget deficits and their imports.

The Community will encourage the Member States whenever they wish to act jointly in inter-

national bodies of which it is not itself a member. The Commission also plans to rely more systematically on Article 116 in framing and proposing joint measures.

In the field of the North-South relations we shall do everything possible to promote, through dialogue and cooperation, measures aimed at increasing the contribution the developing countries can make to the resumption of growth in the world economy, bearing firmly in mind the relationship between:

- (i) the adjustments the developing countries must undertake in order to mobilize their domestic resources, increase exports and service their debts;
- (ii) an adequate flow of international resources on acceptable terms to facilitate access to financial markets and sustain the process of adjustment and growth; and
- (iii) access to the expanding markets of the industrialized countries.

#### **New round of multilateral trade negotiations within GATT**

106. This year the prospect of a new round of multilateral trade negotiations will be high on the GATT agenda. The Community, whose economic welfare depends to a large extent on its exports, especially of sophisticated manufactured goods, has a major interest in the preservation and strengthening of the world trade system, of which GATT is an essential pillar. It is important for the credibility of GATT that a new round of multilateral trade negotiations should not be launched until everything possible has been done to ensure its success.

Success will prove elusive unless a proper balance can be struck between the interests of all contracting parties, and all are prepared to make an effective contribution. The Commission therefore attaches considerable importance to any such initiative being properly prepared as regards its possible scope and content and the participation of developing countries, whose exclusion could seriously jeopardize the success of any new round. The subject is likely to be a major theme at both the OECD ministerial meeting in April and the Western Economic Summit in Bonn in May. A meeting in GATT will probably be convened at senior official level some time in the second half of 1985 to assess the extent to which a consensus has emerged in favour of a new round and what the object and timing of such negotiations should be. The Community has as much to gain from a properly-prepared new negotiating round as its trad-

ing partners and has therefore a clear interest in participating actively in all preparatory discussions.

The Commission will be seeking to spell out the Community's negotiating objectives in preparation for meetings of the Council and of the international organizations dealing with these matters. The Council is due to hold discussions on a Commission communication (which will go to Parliament as well) on 17 and 18 March.

### Textiles

107. The negotiations on arrangements for international trade in textiles and clothing will follow a separate timetable, dictated by the expiry of the present Multifibre Arrangement in July 1986.

The Commission will be undertaking the necessary internal preparatory work, including an economic analysis of the industry, in spring 1985 and will put proposals to the Council by mid-year on the attitude to be adopted regarding the MFA.

### *Community/United States/Japan relations*

108. These bilateral trade relationships are a crucial part of the world trading system. Dialogue with the United States and Japan will therefore assume particular importance in the lead up to any new round of multilateral trade negotiations in GATT, and will also have to address specific financial and monetary issues involving these two countries which have a direct bearing on the state of the world economy and world trade.

### Relations with the United States

109. The Commission will continue to pay particular attention to the Community's relations with the United States. It will keep a closer watch on developments in US trade policy following the adoption of the Trade and Tariff Act of 1984 and the protectionist pressures fostered by the deterioration of the American balance of trade.

The Commission will continue to defend the Community's interests in the event of:

(i) initiatives by Congress or the Administration leading to legislation which is open to criticism under international law (e.g. a bill to extend export controls outside US territory); or

(ii) measures introduced or proposed by the US Administration in areas such as steel and agriculture.

By continuing its constant dialogue with the US Government at all levels, the Commission will endeavour to maintain both the overall stability of the Community's relations with the United States and a determined defence of Community interests.

### Relations with Japan

110. Despite measures taken by Japan in recent years to open up its economy, the country is not yet playing a part in the operation of the international economic system commensurate with its economic and industrial weight. There is the structural trade imbalance and low propensity to import manufactured goods, particularly from the United States and the Community; the disinclination to bring the yen fully into the international monetary system; and the comparatively weak development aid performance. The Commission will keep up its pressure on Japan both bilaterally and in multilateral forums to open up its economy and integrate itself more fully into the international economic system.

More specifically, it will continue:

- (i) to press the Japanese authorities for:
  - (a) increased access for imports from the Community, notably of manufactures, and active measures to encourage imports, and
  - (b) further liberalization of the Japanese financial market and an extension of the yen's role within the international monetary system. The Japanese authorities have already adopted a number of liberalization measures in these fields, and the Commission will continue to see that they are implemented effectively, in a manner consistent with the Community's interests, and lead to tangible benefits for European business;
- (ii) to encourage and support Community industries in their efforts to penetrate the Japanese market;
- (iii) to ensure effective moderation of Japanese exports to the Community in a number of sensitive areas;
- (iv) to promote balanced and mutually beneficial cooperation, in particular in the fields of industry, science and technology.

### *Our immediate neighbours in Europe*

### Our partners in EFTA

111. The Commission, with our European partners in EFTA, will be pursuing the detailed technical follow-up to the Joint Declaration

issued by the Community and EFTA at their meeting in Luxembourg in April 1984, with a view to extending cooperation beyond the current free-trade agreements and moving towards a genuine internal market for all Western Europe. The Commission will make a particular effort to identify those areas in which immediate and rapid progress can be made, especially in trade in goods (simplification of customs formalities, rules of origin, etc.).

### Relations with State-trading countries

112. The Commission will continue to seek ways of improving economic relations with individual State-trading countries of Eastern Europe—where possible—thus contributing to an improvement of the overall political climate between East and West. There are signs that these countries, despite the attitude of some of their number towards the Community, are becoming more aware of the economic need for contacts and arrangements with the Community as such and are now less inhibited in this respect.

### Consequences of enlargement for other Mediterranean countries

113. For many years the Member States have recognized and reaffirmed the importance of their relations with the Mediterranean countries.

The political relationship between Europe and the Arab world has been a key factor for a number of Community countries for centuries past. The interaction between events in Europe and events in the Maghreb or Mashreq countries is a matter of history.

The trade deficit of the non-member Mediterranean countries has deteriorated in recent years, and this may be aggravated by competition from the two applicant countries, especially Spain.

Special treatment must be given to every product for which self-sufficiency has been achieved or exceeded within the Community—or is likely to be if the traditional flows from the non-member Mediterranean countries are taken into account. Depending on the product, ways will have to be found of widening domestic or external markets, or alternatively, containing or reducing production by promoting retraining and changed land use where possible. The Commission will make a detailed product-by-product analysis of the situation and will consult interested parties, inside and outside the Community, in the next few months.

In the mean time there will have to be a transitional period to ensure ordered progress. Provision has been made for this in the enlargement negotiations. At the same time, assurances given to the southern Mediterranean countries regarding the maintenance of traditional flows need to be repeated.

### *Our other partners in the world*

#### Gulf Cooperation Council

114. The Commission is conducting exploratory talks with the Gulf Cooperation Council, following the latter's recent approach aimed at institutionalizing its relations with the Community. The Commission will put forward appropriate proposals in the course of the year in the light of these talks, taking into account the Community's energy supply and security interests.

#### Latin America

115. The Commission will continue its efforts to improve and strengthen relations with Latin America. After exploratory talks the Commission will shortly put a proposal to the Council for negotiating directives for a regional cooperation agreement with Central America, as part of the follow-up to the September 1984 Ministerial Conference in San José. This will be an important step in the Community's relations with this area.

The Community must encourage regional cooperation and promote integration and structural measures in the region, in line with the approach recommended by the four States engaged in the Contadora process, which has been warmly welcomed by the Community and the Member States.

On Latin America in general the Community will be seeking to encourage the current process of restoration of democratic freedoms, both by increasing the number of political contacts (in particular ministerial visits) and by studying ways of helping to overcome the underlying economic problems of these countries (debt, trade problems).

In particular, talks will be held to examine possible improvements in the economic and trade sectors, bearing in mind that the austerity measures which the countries of South America have had to adopt under adjustment policies introduced in recent years have led to a growing

imbalance of trade at the expense of each and every Member State.

### South and South-East Asia

116. The Commission will continue to devote particular attention to relations with countries in the Pacific region given the important changes taking place, notably because of the considerable growth rate of the economies of these countries. More specifically the Commission will take the necessary initiatives in the context of the agreements with the Asean countries and India. A meeting of Community and Asean Ministers of Economic Affairs is planned for the autumn to study ways of increasing economic cooperation.

### Australia and New Zealand

117. The Commission welcomes the Australian Government's desire for a 'non-confrontational' relationship with the Community and for its part will make every effort to step up contacts at all levels. Mr Hawke's recent visit to the Commission provided an opportunity to confirm this constructive approach.

A solution to the problem of New Zealand's butter and lamb exports has been found up to the end of 1986. Priority will have to be given in 1985 to increasing cooperation with New Zealand on world markets for dairy products, which have come under severe strain as a result of the United States' withdrawal from the International Dairy Arrangement.

### China

118. Relations with China have grown in economic and political importance in recent years. This year will see the conclusion of a new, broader based cooperation agreement, which will provide a framework for closer and more extensive economic cooperation and wider and more diversified access for Community exporters to the Chinese market, reflecting the opportunities created by the new 'open door' policy now being pursued by the Chinese authorities. The 10th anniversary of the establishment of formal diplomatic relations between China and the Community falls in 1985 too—an event which will be celebrated in Brussels, in May, along with the signing of the trade and cooperation agreement. Contacts at ministerial and official level between the Commission and the Chinese authorities will be stepped up.

### *Special relations with developing countries*

119. A recent milestone in Community development policy was the signing of the third Lomé Convention, a model of North-South cooperation involving contractual obligations on both sides and covering a wide range of subjects.

The critical plight of many African countries calls for an unprecedented effort to combine short-term relief operations with effective longer-term measures to redress the imbalances which have turned freak climatic conditions into disasters of unparalleled magnitude.

### Lomé III

120. Longer-term operations will be undertaken under the newly-negotiated third Lomé Convention, making use also of additional funds available under the 1985 budget. Pending ratification of the new Convention, the Commission will be sitting down with each of the 65 ACP States to programme spending of the resources they have been allocated for the five-year lifetime of the accord, with a view to seeing that the money is used to maximum effect. This time, programming will be an even more vital stage of the cooperation process than before. The Commission will be endeavouring to see that Community aid is focused on key objectives in each ACP State rather than being spread too thin, and that it is more closely geared to development policies framed by the countries themselves. It is hoped that this will increase the impact of aid in terms of development.

The Commission also intends to improve the efficiency of its operations in ACP countries by making programming into an ongoing process, concerting action on a permanent basis with each country to ensure that the means continue to be suited to the ends.

Again with a view to efficiency, and in the hope that operations can be undertaken on a scale more commensurate with the size of the problems to be tackled, the Commission will endeavour to improve the coordination between Community aid as such and aid provided by the Member States, in accordance with the Council Resolution of June 1984.

### Emergency action

121. Emergency action is being taken to relieve famine in Africa under the plan adopted at the Dublin Summit in December (the third emergency operation in a year). The Dublin Plan pro-



vides for an initial 80 million ECU tranche of aid, which has already been implemented, followed by a second instalment of 95 million ECU.

The Commission is coordinating efforts with the Member States to achieve the overall target of 1 200 000 tonnes of cereals set at Dublin, and is also collaborating with other donors to establish delivery schedules and distribution arrangements geared to the requirements and absorption capacity of countries receiving aid.

#### **Food aid**

122. The Commission is aware of the need to secure further improvements in the effectiveness of Community food aid operations, and regards this as a high priority. It will continue to streamline decision-making and implementation procedures, using experience gained in recent years in the conduct of emergency aid operations.

#### **Renegotiation of the International Cocoa Agreement**

123. The Commission will do what it can to contribute to the conclusion of the agreement, now that negotiations are entering a decisive phase.

#### **Overseas countries and territories**

124. Following the conclusion of the negotiations for the new Lomé Convention, an analogous proposal must be sent to the Council for a decision on aid and trade arrangements for overseas countries and territories associated with the Community. The Commission will present its proposal in April.

### *Summary*

#### **Multilateral relations**

The Commission will:

Help preserve and strengthen GATT and press for the successful conclusion of any new multilateral trade negotiations, ensuring proper preparation particularly at the OECD ministerial meeting and the Western Economic Summit in Bonn.

Establish the basic conditions for more sustained and better distributed economic growth, contribute towards the pursuit of structural adjustment policies for the developing countries and help improve the operation of the international monetary system.

Set in hand the preparatory work necessary for Community participation in discussions on renewal of the Multifibre Arrangement.

#### **Bilateral relations**

The Commission will:

**United States:**

Keep a close watch on trade policy developments.

Keep lines of communication open at all levels to ensure prompt and effective crisis management.

**Japan:**

Try to obtain increased access to Japanese markets for European exports, notably of manufactured products.

**EFTA:**

Look beyond free-trade agreements to the constitution of a genuine European economic area encompassing the whole of Western Europe.

**State-trading countries:**

Continue to seek ways of improving economic relations with the individual countries.

*Summary (continued)*

**Mediterranean countries:**

Adapt the cooperation agreements to take account of the consequences of enlargement.

**Gulf countries:**

Make proposals to put relations on a more formal basis.

**Latin America:**

Submit a proposal for negotiating directives for a cooperation agreement with Central America as part of the follow-up to the San José Conference.

Study ways of helping to resolve the underlying economic problems of these countries.

Encourage the re-emergence of democratic governments.

**South and South-East Asia:**

Devote particular attention to relations with Asia, especially Asean and India.

Prepare for the meeting of Community and Asean ministers in the autumn.

**China:**

Conclude a new cooperation agreement.

**Australia and New Zealand:**

Intensify relations.

**Special relations with developing countries**

**The Commission will:**

Use all the means at its disposal under the Lomé Convention to grant food aid and emergency aid in order to alleviate the dramatic situation in Africa.

Implement the new Lomé Convention.

Present a proposal for a Community decision establishing trade and aid arrangements for the associated overseas countries and territories.

## **The cultural and human dimension**

125. In the first recital of the preamble to the Treaty and in Article 2 the Member States pledge themselves to achieving closer union among their peoples. One means to this end is cultural exchange.

The cultural and human dimension of Community action must become a driving force towards achievement of the European ideal, enabling the Community to assert its identity while respecting its diversity.

### *Promoting European identity*

126. Europe must exploit its extraordinary fund of cultural, intellectual and other resources to assert its own identity.

### **A European communications area**

#### *Removing existing barriers*

127. The free circulation of cultural goods (including works of art) is still being hampered by formalities at intra-Community frontiers. Regulation (EEC) No 3/84, which facilitates the exchange of cultural goods between public bodies, is to be extended to include private bodies. With the same end in view the Commission will be presenting proposals for harmonizing tax arrangements in the cultural field.

The Commission will pay particular attention to the important and complex problem of copyright—a major issue of concern to all those involved.

Action on this front will be backed up by forceful initiatives to combat audio and video piracy. In the same context the Commission will continue its efforts to promote the flow of information on art thefts.

#### *Broadcasting for the future*

128. The Commission has been taking a keen interest in satellite and cable television and in the various plans for European television programmes, which it intends to support as far as it can. It is particularly concerned with the need

to stimulate television production on a European scale and boost the Community market.

A people's Europe also means freedom of access to the means by which culture and knowledge are disseminated. This freedom of access already exists for radio broadcasts, but it has to be extended to include the new television broadcasting techniques.

The Commission intends to pursue its work on the basis of the 1984 Green Paper. It has begun discussions with those concerned and will be making specific proposals in due course. In the mean time it will do all it can to see that the Member States comply with the directly-applicable provisions of the Treaty prohibiting discrimination and guaranteeing the free movement of goods and freedom to provide services.

### **Cultural cooperation and production**

129. The need for a fund for cinema and television production has been raised on a number of occasions during the past year; the idea would be to promote the development of a European programme industry by introducing an aid system.

The Commission will shortly be presenting proposals along these lines to the Council. A number of co-productions have been submitted and are being considered as possible pilot projects.

It will also be proposing a framework directive on book prices.

At the same time it is considering how it can contribute to training journalists and producers for the multilingual European services of the future and to promoting access to information on televised material and exchanges between broadcasting authorities in the Member States (for example, by means of data banks).

There are also plans to produce a series of TV dossiers to help those who want to produce broadcasts on major Community topics.

The Commission will continue to provide financial support for the conservation of our architectural heritage and will participate in the events being organized as part of the 'Athens — European city of culture' project. The Community will provide various forms of support for European Music Year, being organized jointly with the Council of Europe, and will encourage efforts to promote literary translation.

## *Promoting the European ideal*

### **A people's Europe**

130. The Commission wants to make Europe a tangible reality. It hopes to exploit the political impetus provided by the Fontainebleau European Council and the work of the Adonnino Committee to secure adoption by the Council of a series of proposals designed to maximize freedom of movement and residence throughout the Community.

To this end it will act on a number of fronts:

(i) The Commission aims to give special treatment to complaints by individuals caught up in a tangle of frontier formalities and red tape whose interests suffer as a result and who deserve compensation. But it will have to go further and examine the national legislation which permits such situations to arise with a view to ensuring that it is tightened up and the scope for arbitrary action restricted.

(ii) The Commission considers that application of the provisions of the Treaty must be extended to give individuals new rights:

(a) European citizens should be able to travel freely throughout the Community without being inconvenienced as consumers by differing VAT rates. This will mean raising tax-free allowances to restore them to their 1969 level; the Commission will be proposing an increase in travellers' allowances to 400 ECU. The principle prohibiting double taxation will also be formally established once the proposed 16th VAT Directive is adopted; this, in the Commission's view, must be a priority for Council action in 1985.

(b) The Commission will pursue work put in hand following its communication to the Council on freedom of movement and the abolition of immigration and customs controls, concentrating in particular on the harmonization of national policies on visas and the introduction of a general system of equivalence for university degrees.

(c) The Commission will also continue its efforts to open up the Community market for the professions so as to allow their members to practice wherever their skills are needed. Some of them are already free to do so but others, including architects, accountants and pharma-

cists, are hampered by a lack of mobility, which is sapping Europe's potential.

(d) Creating a people's Europe also means creating symbols that enable us all to feel we belong to a Community with which we can identify. This year should see the introduction of the European passport in all Member States. It is greatly to be regretted that the vast majority have been unable to keep to the 1 January deadline, thus undermining not only the credibility of decision-making but above all weakening the impact of this new symbol of unity on the public at large.

(e) The Commission will be submitting a proposal this year designed to reinforce the Council Directive on the European driving licence by making the licence valid throughout the Community regardless of the holder's country of residence.

### **Awareness of the European dimension**

131. The Commission plans to do all it can to strengthen people's sense of belonging to the Community. It will take each and every opportunity presented by cultural, sporting or other events to boost awareness of the Community and foster its image. It will be launching information campaigns to encourage the emergence of a genuine European identity basing its policy on the principle that learning and exchanging information about our different national realities will throw into relief our heritage of shared values and highlight the Community's task of gradual unification.

European Music Year, International Youth Year, the European Yacht Race, the Tsukuba international exhibition in Japan—these are some of the opportunities which the Commission aims to use to promote awareness of the European dimension, both inside and outside the Community.

The development of domestic and foreign tourism in the Community—with all the social, regional, economic and cultural benefits this implies—can also help to promote awareness, and is an area ripe for a Community policy.

The Commission will also be putting proposals to Parliament for joint information activities to project the European image.

## Summary

The Commission will:

Remove existing barriers to the free circulation of cultural goods.

Take action to protect copyright and to combat audio and video piracy.

Follow up publication of the 1984 Green Paper on the establishment of a common market on broadcasting.

Set up a fund for cinema and television production and assist the development of a European programme industry.

Provide financial support for conservation of the Community's architectural heritage.

Give special treatment to complaints by individuals caught up in a tangle of frontier formalities and red tape.

Raise tax-free allowances.

Establish the principle prohibiting double taxation on the basis of the 16th VAT Directive.

Present a proposal for reinforcing the Directive on the European driving licence.

Take action to strengthen people's sense of belonging to the Community, notably by using the opportunities provided by cultural and sporting events.

## **Sound management by an efficient European civil service**

132. In addition to the Commission's main priorities for 1985 set out above, mention must be made of the continued management of existing Community policies. The Commission's credibility will depend largely on its ability to manage these policies efficiently and rationally.

With so many complex tasks to deal with, sound management by an efficient European civil service must be considered a permanent priority. It is therefore important that particular care is taken to ensure that the day-to-day implementation of policies runs smoothly.

In the continuing climate of exceptional budgetary austerity, the organization and administration of its limited resources are now high on the list of Commission priorities. There is a need for immediate action to improve both management and training. This is the only way the Commission can hope to attain its staff management objectives, namely:

- (i) optimum use of available resources;
- (ii) sensible assignment of staff in the light of priority tasks;

(iii) emphasis on the internal redeployment of staff to meet existing requirements.

With this in mind, the Commission intends to adopt a number of internal measures:

- (i) to improve the system for forecasting staff requirements;
- (ii) to increase flexibility in the use of staff resources and to encourage mobility;
- (iii) to increase individual responsibility and to improve channels of communication in the interests of greater job satisfaction.

The Commission also considers that interinstitutional cooperation on training and recruitment should be stepped up with a view to creating a common infrastructure geared to the requirements of the individual institutions.

133. The Commission will present a proposal to the Council in 1985 on the establishment of an Administrative Tribunal to deal with disputes between the institutions and their staff. Appeals would lie from this court of first instance to the Court of Justice.

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

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

### **Social affairs and employment**

'Can European society countenance the prospect of 20 years with 10 to 12% of the labour force out of work? What would the moral, social, economic and political consequences be? What effect would it have on the educational system, the rift between those in jobs and those on the dole, equality and inequality? ...

Can we have political and economic progress with a declining population? Can history show us any examples of nations with a declining population that were remarkable for their standard of living, their level of advancement, their influence in the outside world? They must be few and far between, hardly worth enquiring into ...

We cannot expect high technologies, a better division of labour or more vigorous growth to work miracles; but in combination, they could enable us to stop the rot. By fighting on all these fronts we can combat unemployment. We need to modernize and hence introduce new technologies. Modernizing means selling more, producing more and ultimately, creating more jobs, directly or indirectly. No industrial revolution has ever ended with a reduction in the number of jobs. We must accept progress and make it work for us.

Modernizing means harnessing the new technologies, which will, as I said this morning, impinge on the whole production process. Modernizing means improving our growth performance ... and ensuring a division of labour that accords with the varying aspirations of contemporary society and the younger generation in particular ...

Finally, modernizing means improving operation of the labour market. This is one of the issues that our employers and trade unions will, I hope, get to grips with. A better labour market would counter marginalization, and do something for "the new poor". Only a healthy labour market can give everybody another opportunity. We will not create more jobs by piling on controls or by *laissez-faire*. What we need is a labour market that operates efficiently and is backed by an active training policy ...

Having said that, what is the Community doing in the social field? ... We must realize that the Community cannot implement a social policy just because it has a Social Fund. We must cut our coat according to our cloth! All we can do through the Social Fund ... is to mount model projects, disseminate the results and publicize them. In this context there are three key areas to which I would like to see the Social Fund giving priority: starting young people off in working life; equal treatment for men and women and vocational training. Not forgetting, given the way Europe and the world are developing, that basic education needs to be rethought ...'

### *Equal treatment of men and women*

'Before the end of 1985 the Commission, in addition to its routine activities and the proceedings it has instituted against certain Member States, must draw up a new four-year programme. It will be laid before this House so that you can share in what will be an uphill task. What we are fighting, essentially, is government practices, statutory discrimination and —hardest of all to change—attitudes ...'

### *The social dialogue*

'Yes, we must move towards daring, Community-wide framework agreements which can be taken over at national and company level. And yes, the next step should be to consider the possibility of a European collective agreement ...

By that we mean that Europe's economic and social system must rest, in addition to the market and State intervention, on a wholesome, sustained dialogue and autonomous agreements between employers and unions ...'

### **Strengthening the Community**

'This brings me to the priorities for strengthening the Community, the priorities enshrined in the 14 January statement: a Community-wide market; closer monetary cooperation; a policy for industry, innovation and research, and a more vigorous economy.'

### *A Community-wide market*

#### **The first priority**

'In its first two months in office it is here that the new Commission has found the broadest consensus. ... Everyone is aware of the price of "non-Europe". We will therefore, as I have said, be laying a step-by-step programme before the European Council. But, although there may be consensus on the absolute need for a Community-wide market, as soon as we get down to talking about liberalizing insurance, removing this non-tariff barrier or that, we will be back to the expert committees again. This is why the backing of the European Council is vital ...

This programme for attainment of a Community-wide market will be consonant with the "high technology" programme that we will be presenting to the European Council—which, in turn, cannot get off the ground until the Community-wide market is a reality. Introduction of the new technologies implies three prerequisites: the harmonization of standards, the liberalization of public contracts and common legislation on industrial property, particularly important for biotechnologies.'



## *Closer monetary cooperation*

### **The second priority**

'... My first objective on this point was, by private meetings, to try and smooth ruffled feathers, stop the recriminations and clarify the situation, as a preliminary to a formal phased approach that I will now spell out clearly and succinctly.

To begin with, we must try to forget about December and show, by taking a small step forward, that we can strengthen the European Monetary System. I am happy to tell you today that the Committee of Central Bank Governors has fastened on to this idea and will be proposing a small but significant package to the Economic and Financial Affairs Council following my confidential talks with them.

The package would make it possible for the central banks of non-member countries to hold ECUs and would provide more scope for mobilizing the official ECU. It would also offer a more attractive interest rate on the official ECU, so that the ECU would cease to be regarded as a second-class currency and enjoy a true return. I believe that this package will be endorsed shortly. It is a first step ...

Our second step will be to consider the ramifications of these issues—controlling the development of the private ECU—I have just indicated the amounts involved—increasing the use of the public ECU, liberalizing capital movements. One thing I must add, although the decision is not for us: it is my own feeling and that of the Commission that if the United Kingdom joined the EMS, it would not be so much an addition to the ranks, but more a major contribution to the development of monetary cooperation and the creation of a large capital market ...

Having dealt with 'the domestic aspects of the ECU', Mr Delors turned to the external aspects:

'We are in the throes of total international monetary turmoil. ... May I remind you that it was at the Versailles Summit that I suggested that the industrialized countries should study the possibilities for joint intervention on foreign exchanges and the usefulness of such action in certain cases. Then in April 1983 the Group of Ten ratified conclusions which stated that in the event of serious upheavals, joint action might prove useful. Following that agreement, Europe's central banks, with the Bundesbank to the fore and always true to its word, have acted on three occasions but without proper support from the Federal Reserve, and the latest development, which we all witnessed in January ... was confirmation by the Group of Five of their April 1983 agreement ...

We are not out to overturn the system. Questions have been raised about liquidity levels, about the effects of erratic currency movements, about international trade, about the role of the International Monetary Fund, about aid to developing countries. All these need answering, and you may rest assured that we will do all we can, on the external front too,

to maintain a European presence in the efforts to improve the world monetary system and so consolidate the world economy.'

### *Policy for industry, innovation and research*

### **The third priority**

'... I said that the latest technologies are no new frontier, no miracle cure. This raises daunting human and ethical problems. We must be aware of them, particularly in relation to biotechnology. So, why new technologies at all? As I said just now, to allow us to survive as an entity, to be productive and to adapt our "production machine" to the realities of today. Have you ever wondered why the Japanese are now holding 60% of the capital goods market? Simply because they introduced new technologies and their competitors didn't go far enough ...'

Turning to the 'high technology' programme the Commission would be presenting to the European Council, Mr Delors said:

'We want this programme to give the "effect of scale", to combine our research efforts, to make the telecommunications industry—where we are well placed—the life blood of the European economy, and to work out an adequate commercial policy, for we cannot—and I make no bones about this—we cannot ask our big electronics companies to fight all out if certain foreign markets are closed to them and dumping is rife. They must be in a position to make a profit, to invest, and to get on level terms with the others. That is why we must have a commercial policy to promote the new technologies in Europe. Side by side with these technologies we need structures to facilitate cooperation between firms. We have had some disappointments with governments on this score. We haven't managed to harmonize tax arrangements for mergers and divisions. We haven't managed to win acceptance for the economic interest grouping. But we're going to have another go ... This would embrace the fifth Directive which, if adopted, would provide a legal statute for the European company. ... Finally ... more needs to be done for small business and our production machine.'

Declaring that the culture industry would be one of the Community's major assets tomorrow, creating wealth and job opportunities, Mr Delors said:

'The Treaty does not give us the means to implement a cultural policy; but we are going to try and tackle the economic aspects. There is much more involved than television programmes. We need to build a powerful European industry which will enable us to be masters of both form and content, uphold our own values, and encourage our creative artists ...'

## *A more dynamic economy*

### **The fourth priority**

'How do we find the right compromise between holding down costs and sustaining demand? That is the question being asked today. And it is in this context that we must give some thought to public investment policy. I am making no promises here. The matter is discussed in our programme. But let me ask you this: if the policy of budgetary austerity pursued at national or local level leads to a slump in public investment tomorrow, what will our cities, the countryside be like in 20 years' time? If we cannot keep up the places we live in, what will European society be like in 20 years' time? That alone should make us pause and prompt us, via transport or environment policy for instance, to get to work here and now on projects that are within our reach, projects that match our borrowing capacity ...'

### **The prospects for enlargement**

'I now come to the prospects for enlargement, which has engaged the attention and concern of many of you: fisheries, the common agricultural policy, the integrated Mediterranean programmes, Mediterranean policy, the financial repercussions ... and the specific case of Portugal, which is as you know, grappling with serious economic problems, and which, like Spain, is impatiently awaiting the day it can enter the Community.'

On the question of fisheries ... we have to reconcile two conflicting elements: the fragility of "blue" Europe, which has just seen the light of day, and the tremendous potential of the Spanish fishing fleet. How do we reconcile the two? This is the crux of the problem. My first reaction is that we can do it only if a big effort is made to convert fleets, not only the Spanish one, but a little of the Community one too. ... What are the Spanish doing and what are we doing to adjust our fishing potential to the possibilities of the present Community of Ten, the future Community of Twelve? ... The Commission has simply proposed that we check for the next stage that a balance has indeed been struck between the demands being made of the Spaniards and the state of "blue" Europe ...

On the common agricultural policy ... let me restate here what I said earlier about the importance of small farms, from both the economic and environmental angle, and the urgency we attach to new prospects for European farming ... in the service of a new model of development ...

Our proposal on Mediterranean programmes ... is just as advantageous as the original proposal. ... You will soon see why if you consider it not in narrow budgetary terms but rather in terms of all the resources which will be available to these regions to help the adjustment process. Our proposal is designed to promote the mobilization of local forces in the

regions concerned. We need your support for our proposal ...

Our proposal honours the pledge given as regards the balance between North and South ... and without Parliament's backing, national Ministers who look at this problem in purely budgetary terms will prevail. I would then be compelled to withdraw the proposal on the Commission's behalf ...

Another element of enlargement is Mediterranean policy. Mr Claude Cheysson will be making a proposal to the Council to ensure that enlargement in no way loosens the economic and commercial ties which now bind us to the countries of the Mediterranean.

This brings me to the financial repercussions of enlargement. ... I cannot give you precise figures on this ... we are still negotiating ...'

### **Ways and means of advancing Community policy**

#### *Financing*

'I can tell you that we are asking the Council to present a realistic draft budget for 1985, meaning one which not only makes good the omissions which prompted you, quite rightly, to reject the (first) draft but also takes account of the budgetary and financial facts as we know them to be, namely that EAGGF requirements for 1985 amount to almost 2 000 million ECU. We must also make up the shortfall on the 1984 budget which, allowing for the fresh estimate of 1985 revenue, stands at around 200 million ECU. If we add the UK rebate, we get a figure of just over 3 000 million ECU ...

I am against a supplementary budget myself. I am hoping rather that the Council will present you with a realistic budget. It is only on that basis that you will be able to operate effectively in the years ahead.

If we now look beyond 1985 ... we can see that—all other things being equal—the margin for manoeuvre created by raising the VAT ceiling from 1 to 1.4% amounts to something like 6 400 million ECU. Given the heritage of the past, we will be close to the 1.4% ceiling as early as 1986 before we have made any major reforms, before we have managed to rationalize the utilization of budgetary resources ...

This is why it is important that we should present multiannual forecasts and see how we can make better use of the resources at our disposal, in other words, how we can enhance the efficiency of the structural Funds and release the necessary resources to fund a policy for industry, innovation and research ...'

#### *The institutions*

'As for the institutions ... expectations are too high for nothing to happen at the Milan European Council. Should it prove impossible, because of embroil-

ment in technical or legal discussions, to go to Milan with a paper setting out clear options, the Commission will shoulder its responsibilities and table a paper of its own spelling out the options—as it sees them—for improving decision-making and expanding the scope of the Treaty ...

Europe must set an example in its development policy, in the modest but genuine efforts it is making to bring about reconciliation and help democratize society in Central America, and in the support it is giving to the Contadora Group. Europe must speak with a single voice. A number of critical meetings are

coming up—the Development Committee, the OECD meeting, the Western Economic Summit, the Group of Ten.

On the trade front alone, we will be facing an open offensive. But Europe will stand firm. We will be told what's what. But Europe can only accept part of what it is told. Europe must say no to Euro-sclerosis, even though much remains to be done to restore it to the splendour of yesteryear, to make it competitive and dynamic once more. It is only by demonstrating strength of character, by standing firm today, that Europe can build for tomorrow's world.'

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