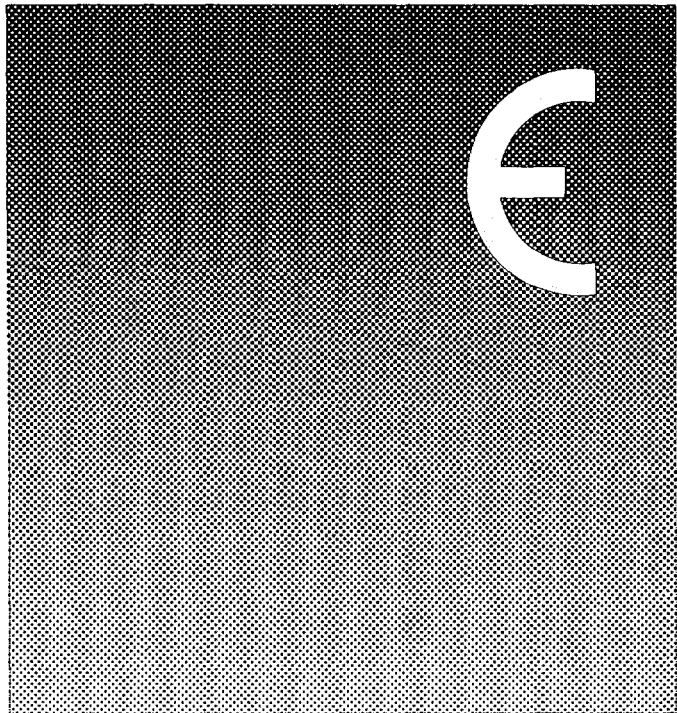


Programme of the Commission



This booklet contains the address which Mr Gaston Thorn,
President of the Commission, delivered to Parliament
on 11 February 1981 and also the Commission's outline
work programme for 1981.

Commission of the European Communities

Programme of the Commission

Brussels · Luxembourg · 1981

This publication is also available in the following languages:

DA	ISBN	92-825-2223-7
DE	ISBN	92-825-2224-5
GR	ISBN	92-825-2225-3
FR	ISBN	92-825-2227-X
IT	ISBN	92-825-2228-8
NL	ISBN	92-825-2229-6

Cataloguing data can be found at the end of this publication

Luxembourg: Office for Official Publications of the European Communities, 1981

ISBN 92-825-2226-1

Catalogue number: CB-31-80-110-EN-C

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Printed in Belgium

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Address by
Mr Gaston Thorn,
President of the Commission
of the European Communities,
to the European Parliament
on 11 February 1981

*Mr President,
ladies and gentlemen;*

A month ago I stood before you to introduce the new Commission. We agreed then to meet again today for a more thorough discussion of policy and programmes.

No-one could have imagined that a few hours later one of the pillars of the Commission, Finn Olav Gundelach, was to leave us for ever. This House has already paid tribute to our colleague so I do not propose to reopen the wound. I will simply remind you that he was the second serving Member of the Commission, within the space of five years, to be struck down after a final appearance before this House.

I must say that the Danish Government acted swiftly on our request, appointing Poul Dalsager, its Minister of Agriculture and Fisheries, to complete Finn Gundelach's term. The choice was promptly ratified by the Member States, and the Commission, after considering all the possible solutions and weighing all the pros and cons, decided to give Mr Dalsager the agriculture portfolio and let Mr Kontogeorgis take over full responsibility for fisheries, as had been planned in any case.

I will say no more by way of introduction because Mr Dalsager is well-known to you as a former Vice-President of this House. Added to which, just as Mr Kontogeorgis had his baptism of fire at the Council meetings on fisheries, Mr Dalsager will be appearing before you shortly to defend, at what is a particularly critical juncture, our farm price proposals for the coming marketing year.

You have before you a document entitled *The Commission's outline work programme, 1981*. This paper is the first of its kind. Given your future role, the new Commission felt that it was preferable to let you have a few pages setting out our priorities and giving you food for thought, rather than the customary memorandum annexed to the no less customary programme address, which was simply an inventory of all the activities to be undertaken by the Commission.

So as not to take up too much of your time embarking on a lengthy, unrewarding survey of a four-year programme and of priorities for the next 12 months and to avoid any charges of neglecting political nuances or comment, the new Commission decided, quite simply, to lay its programme before you. Of course we are here to sustain the debate on any points you may wish to raise. I will merely present and comment on the programme as briefly as I can.

I am aware that as we step into 1981 our task is a daunting and enthralling one, and for two reasons: the one extra-European and general, the other specifically Community and institutional. Let me take the institutional first.

My Commission is the first to appear before a directly-elected Parliament. Believe me when I say that this new situation is crucial. President Sadat came here to address you yesterday, and that says more than any lengthy speech of mine about the importance of this House and the eminent role, indeed the eminently political role, it will have to play. With a political and democratic base deriving from your support and powers of control, the Commission owes it to itself to be more responsible and watchful in its relations with Parliament. These totally new working conditions, to which I will revert later, will have an enormous influence on the institutional future, not only of Parliament and the Commission but also of the Community as a whole. They will compel the Commission to give a more detailed account of its stewardship, past and future, and force it to pay particular attention—you have my word on this—to Parliament's criticisms and suggestions. When I spoke to you last month I told you that I felt our collaboration to be of paramount importance: I have since made a point of confirming my views in writing to your President.

The second daunting aspect of our task is that the background against which our priorities are set has rarely been so gloomy in the short term and so uncertain in the longer term. The Community—like the rest of the world—has never, you will agree, been in such a parlous state. The disease is not just economic or social. It is general, as you have pointed out on so many occasions.

And the people of Europe, disturbed by the increasingly frequent health bulletins, are frightened. They are no longer giving the Community the trust that it, and Europe, deserves and desperately needs. But I will return to this later.

My particular concern today is to sketch the outline and highlight the particularly significant points of the new Commission's plan of action for steering Europe through the hard times ahead. You are better placed than anyone else to realize that our success depends heavily on your political

support. We will be asking for the political support of the governments of the Member States in our day-to-day work. Today, on this very special occasion, we are asking for your political support. But even more importantly, through you, ladies and gentlemen, we are asking for the political support of the people of Europe; the men and women who elected you.

As to the background, we must recognize that the world situation holds little comfort for Europe.

It is best described as the aftermath of a series of conflicts, the most glaring of which have been building up for the last few years.

On the political front it is clear that *détente* has taken such a beating in recent months that a new term will have to be found. The world situation is more worrying now than at any time since the Cold War. The invasion of Afghanistan gave a further turn to the screw. A war between Iraq and Iran, coming on top of the revolution in Iran, compounded the Arab-Israeli problem with its Palestinian dilemma and Lebanese repercussions. The Middle East is now more dangerous than ever, despite all the hopes raised by the courageous missions President Sadat undertook so recently. Africa is the prey of covetous eyes and widespread unrest. Latin America is in the grip of new and murderous internal conflicts, and in Asia, Afghanistan apart, daily happenings are a cruel reminder of the tragedy of our times.

In addition to the grim events which make the headlines, there are a number of question-marks over the international situation. Whether we like it or not, Europe's fate and influence will depend to a large extent on how the new American administration views the future of East-West relations. The serious threats to world peace are of direct concern to Europe. The repercussions—and it is the repercussions that trouble us—may make nonsense of our efforts for integration. Indeed, unrest on the fringes of Western Europe is a constant reminder that Europe lies in the magnetic field between East and West. So we, the people of Europe, have a role to play as custodians of world peace, not only for ourselves but also in terms of the alliances some of us have contracted and various commitments we have entered into all over the world.

On the economic front there is no point in mincing words: the prospects have never been so bleak. We are in the trough of a protracted structural crisis: we are trying hard to live with it; but have yet to learn to overcome it and control what some people, myself included, have no hesitation in describing as a

change of civilization. The cards are being redealt at world level. The development, meaning both expansion and operating conditions, of world trade is at risk. There are clear signs of a widespread return to protectionism. This is particularly disquieting for the Community, the world's leading trading power, since free and vigorous trade is its lifeblood. The collapse, or even the fragmentation, of world trade would be a severe blow to the Community and the Member States. There is every indication that the shockwave would not stop at its frontiers but would press on to jeopardize the very existence of the Common Market, the name by which so many know our Community. With these dark clouds louring over us, may I simply cite the disquieting example of the unhealthy development of our trade with Japan in the hope that Member States will recognize the need for solidarity.

We must not forget that apart from the general slackening of economic growth the Community has another weak spot in that, more than any other big economic group, it has to import the bulk of its energy and raw materials. In 1980 the Community countries ran up an oil bill of over a hundred thousand million dollars. With the exception of the United Kingdom and the Netherlands, Community countries, with Japan, are those most heavily dependent on external supplies. This has far wider consequences than are commonly recognized. Even Europe's agriculture—which keeps the Community self-sufficient, or in surplus as some critics would have it—is heavily dependent on imported oil and raw materials. As long as 20 years ago, when I was sitting on your benches, Parliament was worried about our future energy supplies, despite the enthusiasm generated by Euratom. Sadly, the 1973 crisis has not taught the signatories to the Euratom Treaty the need for solidarity. Let us hope that mounting energy bills and meagre rates of economic growth will bring us to our senses.

Because of its dependence the Community could see its share of world trade shrink from 20% to 15% over the next decade. The main beneficiaries would be Japan and certain 'go-ahead' developing countries.

There is a further danger that the worsening economic climate could undermine the development effort of the Third World, hitting our potential customers, widening the gulf between nations, heightening tension and reducing some countries to famine and despair with all that could mean in political terms. The urgency of these problems and the growing realization that the northern and southern hemispheres are economically inter-dependent highlight Europe's special responsibilities here. We need to define our responsibilities, the headline we can set, our role as go-between.

To pursue a different, but related, line of thought, anything which disrupts our monetary system can make our forecast and forward calculations obsolete. Here, as elsewhere, any fresh upsurge in prices is so fraught with danger that we must persevere in our efforts to re-establish stable and universally recognized monetary relations. No-one can doubt that Europe has played, and will continue to play, a crucial role here. There is nothing to be gained by rushing our fences, but we cannot afford to jib at them either. My feeling is that in the face of our present difficulties we must advance, all 10 together, lest our economies move further apart and jeopardize what the Community has achieved.

Is there any need to mention the consequences for the Community of a declining population and the effects—of which so many Europeans feign ignorance—on the labour market, economic activity, social innovation, political life and Europe's place in world? If the present trend were to continue, the population of the Federal Republic of Germany, now some 61 million, would fall to a mere 40 million by the year 2050. If Europe's present birthrate continues beyond 1990 Europe will be on the brink of extinction in demographic terms. Europe would appear to be the only region of the world with a stagnant, declining or at least ageing population. History has shown us that economic and demographic change frequently go hand in hand. I fear that a declining, ageing population may reduce our capacity to adapt and innovate, reinforce the Malthusian pattern and make the dialogue with young, prolific nations even more difficult. Their main concern being the young and the future, ours the old and the past. Research, economic development, the choice between investing in new industries and rescuing traditional ones may well depend on the outcome.

As to the Community, it is obvious that all is not well. But let us reflect a moment, as serious and informed politicians, and consider where our countries, great or small, would be without it.

There were those, not so long ago, who claimed that Europe was the last of the great myths. No-one of my generation, or the generation before, who witnessed the butchery of the First World War, the Great Depression and the rise of Fascism in the 1930s, the slaughter and atrocities of the Second World War and the myriad sufferings it brought in its train, would dream of doubting the intelligence, generosity and courage of those who launched the European venture.

Can anyone deny the cardinal rôle played by the European idea in Franco-German reconciliation, the reconstruction of our continent, the removal of internal European frontiers, Europe's opening up to the world and the

unprecedented economic and social recovery of the late 1950s and the 1960s? Not only is this the first time that 35 years have passed without the countries represented here today clashing in armed conflict but also—and let me say it loud and clear—the first time that not one of the 250 million people you represent even contemplates the possibility of a fratricidal conflict. Surely that alone makes it worthwhile going all out to consolidate our achievements rather than thoughtlessly and needlessly running them down? Today our Community appears as a rare haven of peace and order in an uncertain world where, as events in Iran have made abundantly clear, the rule of law can so easily break down. Despite its imperfections, our Community can still serve as an example of democracy to others. In this respect, I am sorry to say, its true image is seen more clearly abroad than at home.

The Community today is still a busy trade centre, accounting for 33% of the world's exports overall and 40% of all manufactured goods exported. It is the main trading partner of the rest of Western Europe, the Middle East, Africa, Australia, New Zealand and Eastern Europe. Naturally, the objectives of the Community's commercial policy are shaped by this situation and the new Commission will make a point of working with our governments to devise a truly common policy which will serve their best interests. Together we are a force to be reckoned with. Alone even the strongest among us is vulnerable—enslavement and destruction would only be a question of time.

With the international monetary system in disarray, the advent of the European Monetary System in 1979 gave Europe a measure of monetary stability which has helped to reduce tensions between the economies of Europe. But the significance of this lies, above all, in the future; what was true yesterday is true today and will still be true tomorrow. Today the big blocs fix the odds and only they can afford to play for the highest stakes. We tend to forget, when speaking of the United States and the Soviet Union, that it is the 'United' in United States and the 'Union' in Soviet Union that give these countries their formidable political and economic might. Think too of the non-aligned countries, the Arab League, the Islamic Conference, the OAU, OPEC and many others.

Perhaps we should question the motives of those who are swimming against the tide of history today, opposing those who are anxious to quicken the pace and enlarge and strengthen our Community.

I fail to understand how—at a time when a Latin-American Common Market has just come into being, when certain black African and Maghreb countries are toying with the idea of economic and political union, when ASEAN is beginning to emerge as an economic and political force to be reckoned with—

some members of the Community—and not the least among them—can question its value and argue in favour of a more flexible association. Actually, flexible is the wrong word: what they really want is a looser association.

If you have followed my arguments so far—and surely no-one can deny the accuracy of the picture I have painted—then why is it that Europe has such a poor image within the Community almost 30 years after the ECSC Treaty was signed? Where, for example, would the steel industry be without the Community? We would no doubt be squabbling among ourselves, and where would that leave us? Would we have made any more progress on energy policy? Would there be a wider regional policy? Would agriculture cost us any less? No. I am sure it would cost us much more. Would we, individually, be able to play a bigger role in the Middle East, Asia, Africa and the United States? Would any single Member State have achieved a Yaoundé or a Lomé Convention? Would any of our countries have succeeded single-handed in wresting balanced agreements from the United States and Japan? Or, to take a final example, could any of us play a decisive role in the North-South Dialogue? The answer is implicit in the questions themselves.

Why, then, does Europe have such a poor image within the Community? We are all to blame: our governments, the man-in-the-street, the Commission as the Community's executive, and you as the elected representatives of the people of Europe.

First of all there was the confusion which arose from identifying European integration with the golden age of prosperity and opportunity which marked its first 15 years. Everyone welcomed this Europe of plenty, with double-digit growth rates, what would be regarded as Japanese-style growth rates today.

Then came the hostility of many politicians, who were happy to lay all their ills at the Community's door but quick to claim personal or national credit for any benefits. The fact that the Community is seldom, if ever, mentioned in public pronouncements by our political leaders says a lot about the mentality they created only to become first its captives, and then its victims.

This helps to explain why the man-in-the-street feels that the Community is so remote. We must all work together to do something about this. But the man-in-the-street can hardly be expected to feel involved when his immediate problems are ignored. By failing to mount a campaign to explain Community action and promote understanding between Community citizens, we have knowingly created the climate of indifference, if not hostility, discernible among a sizeable proportion of Europeans.

What the new Commission wants to do—with your assistance—is to convince the people of Europe that we are sensitive to their problems, whether these relate to employment, social matters, old industries or new, agriculture, fisheries or the professions. We may still be criticized as in the past, but never again will anyone be able to claim that he has never heard of us or can't understand what we are doing. Of course our Community is not a defence Community—we all know why—nor has it developed into a political Community. Our Community is essentially economic. And yet who can claim in today's world that these elements can be separated from each other? After 30 years of work for integration who can say that the economy is not a thoroughly political phenomenon? And so, while we will comply fully with the Treaties—the Commission is their guardian—the fact remains that, if we want our Community to succeed, if we genuinely want to achieve the European Union first mooted in 1972, we must not disperse our efforts. We must stand united—I repeat united—against those who divide us and belatedly create this European Union based on our tried and tested institutions.

While we are on the point, I would venture to suggest that the interinstitutional procedural arguments which are claiming your attention at the moment are of little interest to your constituents. For one thing they are too arcane to have any mass appeal. For another the people of Europe find it hard to accept that institutions claiming to be European should be feuding instead of pooling their efforts to further European integration. The new Commission has no time for this infighting. We will do everything we can to get the institutions pulling together again.

To put it bluntly, familiarity breeds contempt. People have grown accustomed to the Community but have failed to understand, or have frankly forgotten, its eminently political aims. We imagine that the Community can come through every crisis unscathed and fail to appreciate that its essence is being eroded.

Today Europe, if you will forgive the metaphor, is a rather ramshackle house. Its roof has been blown away by disunity. There is no heating, since energy is in short supply. There is no architect, since the generation of founding fathers who supervised the building has passed away. The builder is on the verge of bankruptcy, his resources virtually exhausted. The garden is still reasonably presentable, but is costing more and more to maintain. The tenants are at their wits' end—so many of them are out of work just when other potential tenants are knocking at the door.

These are not easy times for the people of Europe, especially for young people, for women—you have been talking of their problems this week—and

for the unfortunate victims of unemployment, insecurity and the aggression of modern life.

As far as the young are concerned—I am thinking here of that fortunate generation that has never experienced war—the new Commission intends to anticipate their demands, get to know their problems, understand their aspirations, speak their language and raise their hopes.

As far as women are concerned, Community legislation and Court rulings have of course blazed a trail towards equal treatment. I admit that much remains to be done. With the rest of my team I regret that the new Commission—a feminine noun in most European languages—consists entirely of men. This is a national responsibility, not ours.

Ladies and gentlemen, for me there is no alternative to Europe. There is no point in trying to create Europe in the abstract, for we have been working on it for 30 years. As for the challenges before us, you may well ask where we are to start. The straight answer is that we must accept them all simultaneously. Our choice of priorities has been dictated by outside challenges and undertakings given by the European Council and previous Commissions. The new Commission's task is to revitalize Europe—a Community of 10 today, a Community of 12 tomorrow. Which is why we want to give you some idea today of the approach and principles that we will follow during our term of office.

II

Our most pressing task, then, is to find new ways of meeting the challenge of the 1980s without departing from the objectives set out in the Preamble to the Treaty, which I took the liberty of running through with you less than a month ago. There are four preconditions for this:

1. Current policies must be adapted to new demands; safeguarding what we have achieved, though essential, must not be allowed to lead to rigidity.
2. The respective competences of the Community and the Member States must be clearly defined. Harmonization for its own sake and the pooling of resources at any price can be counterproductive.
3. Priorities must be reviewed regularly in the light of what can be done and what needs to be done. A Community that does not keep time, that is constantly stopping the clocks, will end up by losing all credibility.
4. The policy-makers must adopt a new approach of treating coexistent problems as a unit.

But, let me repeat, the main aim of the new Commission, guided by the principles I have just set out, is to restore confidence in the Community by getting closer to grips with the real problems, by which I mean the problems which are uppermost in the minds of our citizens.

To respond to their justified anxieties the Commission will make every effort to obey three fundamental, closely-linked imperatives.

The first is to make more effective use of available resources; the second is solidarity; and the third is to offer the people of Europe greater security.

Making more effective use of resources means that we must first re-examine current Community policies. As you know, the Commission gave an undertaking last year to set about solving the budgetary problems which are a serious threat to Community cohesion. This was to be achieved through structural adjustments and would follow the guidelines laid down by the Council on 30 May 1980. It has been said that these guidelines are virtually irreconcilable, that this makes things rather difficult for the Commission. Be that as it may, the Commission has been reviewing a number of Community policies and it will present its findings to the Council, and this House, before July as promised.

Before I come to the great problems of the day, or should I say my personal selection, I should like to make one point. I cannot accept it as an article of faith that the current ceiling on budgetary resources is sacrosanct. The argument is a theological one, based on a narrow and, to my mind, mistaken philosophy. If it becomes more deeply rooted still in Community soil it is going to create enormous difficulties, especially for those who invented it. Over the centuries our people have paid dearly for the progress, stability and freedom of our Member States and for the unity of Europe. Some have paid with their lives. So let us be realistic enough to recognize that we cannot build Europe from the comfort of our armchairs. There is no question of a 1% Europe today, there was no question of a 0.5% Europe yesterday and there will be no question of a 2% Europe tomorrow. Assuming that we are prepared to pay the price for Europe, we can accept that the Commission should concentrate first and foremost on clearly-defined priorities, that it should cut back or abandon activities in certain areas to release energies and funds for tackling what I have called the real problems. My temperament and my convictions tell me that what is needed now is a concentrated burst of fire rather than random sniping. Let me say quite plainly that if you and I wish to set ourselves up as responsible politicians we must understand that in today's circumstances any new financial effort will inevitably entail a sacrifice which must, more than ever before, be justified and preceded by savings where this is possible.

Obviously the common agricultural policy, by far the largest budget item, will be at the heart of our review. The gap between agricultural spending and spending in other areas—I won't say 'policies'—is far too wide and must be adjusted. I specifically say adjusted, because there can be no question of abandoning the only truly common policy we have. Europe needs a strong agricultural industry, and the mandate given to us last year states explicitly that the fundamental principles of the common agricultural policy must remain intact. No. What the new Commission intends to do is to rein in the runaway growth of farm expenditure, in line with the reflections sent to you at the end of last year and the basic principles governing the farm policy itself. It is unfortunate that the absence of any effective mechanism for keeping agricultural spending within bounds has cast doubts on the soundness of the policy itself and brought those who gain most from it into disrepute. Starting this year the new Commission hopes to be able to inject new life into the policy by involving farmers in its management through a co-responsibility mechanism while continuing to offer guaranteed incomes to the 8 million people who work in this vital sector of the Community economy. The price proposals for the 1981-82 marketing year are nearly ready and Mr Dalsager will be giving you further details in a few days. I would rather not give figures now, but I will say that in our proposals we have already taken account of the mandate given us on 30 May 1980.

The second area in which increased effectiveness is an imperative that I submit to your vigilance is the adaptation of our industrial apparatus to the demands of today's world. Non-intervention by Europe here could have appalling consequences, particularly in the political and economic context I have been talking about. As you know, increased industrial competitiveness is a precondition for a return to full employment in Europe. We need only think of the steel crisis to realize how disastrous failure to act at Community level would have been. The Commission is often very unfairly criticized. We, like our predecessors, will resolutely promote the adaptation of production structures to relative energy and labour costs and to changing patterns of international demand. This is the price of success. It must be realized, however, that the back-up policies the Commission will adopt to support national restructuring efforts, public and private, must necessarily be compatible with the vision of a genuine common market. In no circumstances can they lead to a restrictive consolidation of national patterns of production or the re-establishment of preferential markets. The Community cannot be geared to lame ducks, now or at any time. It can and must face the challenges of the future. One of the new Commission's priorities here must be to promote new technologies. Our aim is to work out a strategy that will meet every aspect of the challenge that advanced technology offers our society and our industry.

The Community is lagging behind, and it is time it caught up. A strategy based on this industry or that simply will not do. The new Commission will seek to create conditions that will be conducive to industrial development, better training and coordinated scientific research. It will stake its claim in the area of innovation and research since this is the only way to ensure that the Community will come through the present wave of structural upheaval.

You know that this vast process of adaptation depends on the willingness of companies to take some risks and the willingness of workers to accept greater mobility. This implies that all must be prepared to shoulder a share of the inevitable burdens and sacrifices.

Our second imperative will therefore be to develop policies inspired by the spirit of solidarity which must underlie our whole endeavour, a spirit which must reign both inside and outside the Community.

The need for greater solidarity within the Community is becoming more and more urgent as the employment situation worsens. It can no longer be left to so-called back-up policies.

To my mind solidarity cannot be described in terms of mere figures.

Today, more than 20 years after the Treaties of Rome were signed, we are forced to admit that the Community has failed to reduce regional disparities. There is no point in denying that there are gaps between the Community countries, but then similar gaps can be found within the borders of individual Member States, which is why it seems wiser to talk of disparities between the Community's regions rather than its Member States.

I need hardly stress here that if the Community fails to bridge these gaps it will be faced not only with the problems arising from the malfunctioning of the internal market but also with the frustrations of a growing section of our society. This could do untold harm to the Community's image.

For this reason the new Commission must convert its concern for greater convergence into immediate action, adding to the Regional Development Fund's financial weaponry and fixing its sights on new targets where necessary. It will endeavour to make all the Community policies truly consistent with each other.

Social and employment policy must be reappraised in the same spirit of solidarity.

The new Commission shares your deep concern at the relentless growth of unemployment, which has now soared beyond the 8-million mark leaving the equivalent of Europe's entire agricultural workforce out of a job.

We all realize that a situation in which young people account for 42% of the unemployed is bound to exert intense pressure on the fabric of our society. Let me say clearly, in this House, that we cannot afford to sacrifice this human potential which is, make no mistake about it, Europe's future. For today's young people will have the option of making or breaking Europe tomorrow.

Faced with this intolerable situation we must make more selective and telling use of the limited powers at our disposal and, what is more important, do it quickly. I won't go into any detailed explanations at this point. But we must get used to the idea that the time when each of the Member States was content to look to the Social Fund for 50% of its expenditure on any given national programme—however important it might be—is past.

The task has assumed such enormous proportions that the Commission will have to find a way of persuading all concerned to get round the table and hammer out a new social and employment strategy acceptable not only to those called upon to implement it but also to those who will bear the consequences. In my view developments affecting the quality of life, working hours and industrial relations are all suitable topics for joint discussion. Social policy cannot be limited to the fight against unemployment.

A final thought in this connection: the new Commission is fully aware of the need to involve both sides of industry not only in its social policy options but in other areas too.

But, as you all know, the authors of the Treaties did not want the policy of development and progress in a spirit of solidarity to be confined to the Community. If our development policy is to remain a success and fulfil the original role defined in the Preamble to the Treaty, it must be more closely integrated with other Community policies. Only in this way can we reap the greatest benefit and get a clearer picture of the implications of our action. This new approach will have to be devised and subsequently applied with the active cooperation of all concerned on our side and, more importantly, with the direct involvement of the developing countries themselves. I agree that the Lomé II Convention is our proudest achievement in this field but that is not enough. You all realize how important it is that the Community should remain open to the whole Third World.

Clearly, if the Community wishes to inject a political element into this dialogue with the less-favoured nations of the world, it must take part in all in-depth

discussions of the North-South problem. Its record on this front has always been, and must continue to be, exemplary. World economic recovery is at stake. The Community cannot opt out; it has a duty to itself and the rest of the world. This is the spirit in which we are preparing for a full role at the Ottawa Summit.

Our current dialogue and cooperation with the developing world is not inspired by mere charity. Given the increasing interdependence of our economies, everyone's security is at stake.

This brings me to our third imperative, no less important than the first two, namely the quest for security.

The disquiet shared by many of you revolves around three basic problems: firstly, the security of our energy supplies, secondly, the threat to our position as the world's leading exporter and, thirdly, the strategic importance of strengthening our ties with the Mediterranean countries.

Let us look at energy supplies first. The Community can hardly be said to have progressed far enough in the right direction. I know that a number of specific measures were taken to ease the uncertain supply situation created by political developments and military clashes in the Gulf region. But the worsening economic crisis must spur us on to further action.

A comprehensive approach to this problem will be one of the new Commission's priorities. We cannot expect to get very far with structural adjustment without a coherent energy policy. We will make a special effort in the field of energy saving, nuclear safety and the development of new technologies. We will do more in the area of prices and stocks. Outside forces at play here mean that the dialogue with oil-producing countries and joint action to help developing countries must be stepped up. Dialogue is doomed to failure unless the problems of both parties are considered.

Another source of disquiet is that the Community, as the world's leading exporter, sees a threat to the free-trade system, built on rules and procedures approved by GATT, which is vital to its existence. Our trading position should enable us to ask more of our major trading partners than we have in the past. We should ask them to avoid a return to protectionism in exchange for our commitment to free trade, now in jeopardy. It is because the new Commission is aware of the vital importance of our trading links with other industrialized countries that we have decided to take advantage of forthcoming international meetings to convince President Reagan and our Japanese partners of the

gravity of the situation. I would add that the opening of our frontiers must not be allowed to lead to any imbalance in our trade or to any disturbance of our economic and social equilibrium. Something will have to be done shortly about our lop-sided trade balance with Japan.

There is a further point I would like to make. A European monetary order is vital if the Community is to maintain its leading position in world trade. There is no need for me to go into the close relationship between trade and monetary decisions here. Suffice it to say that an unstable international monetary situation can severely handicap the development of world trade.

A number of questions have been raised over the last few years in connection with the third problem area—our relationship with the Mediterranean countries, which are of prime strategic importance to Europe. Clearly, the main concern is enlargement, the acid test of the Community's ability to evolve, expand and enter the big league, a challenge which Member States have declared their readiness to accept. Let us not disappoint those who, at home or abroad, are taking us at our word.

Naturally, the effects of enlargement will reverberate not only throughout the Member States but also throughout the various Mediterranean countries which have enjoyed preferential trade arrangements with us for so long. The inevitable conclusion is that the Community must define a single, comprehensive policy towards these countries. The fact that a member of my team has taken over special responsibility for this policy speaks for itself.

Although enlargement is eminently desirable from the political point of view it is nevertheless understandable that, in this period of crisis, we should ask what problems expansion is likely to bring for the various Community policies and to what extent there is a danger of enlargement weakening rather than strengthening the union. The new Commission will act to foil those who view the third enlargement as a chance to demolish the patient building of the past.

However, I am sure that no-one will contradict me when I say that the deep-rooted unease which is haunting our peoples, and which I see reflected in this House, goes far beyond these three imperatives.

Let us not mince words. We cannot hope to give any genuine reassurance to the people of Europe unless we are prepared to grasp the nettle and tackle the problem of security. The security of oil, for instance, is as much a political issue as an economic or technological one. The Euro-Arab Dialogue—which we owe it to ourselves to revive—is one proof of this.



I need hardly say that the revamping exercise I have just outlined will be doomed to failure unless it is backed by what my friend Emilio Colombo has termed a politico-institutional design.

And this politico-institutional design will remain an illusion until the three institutions that ought to be the pillars on which the Community stands stop bickering and start talking to each other at last.

A. You know better than anyone else that the Community cannot afford an institutional crisis.

The rot set in in 1965. Since then we have witnessed a steady erosion of the European idea that inspired the authors of the Treaties, its covert watering-down into intergovernmental cooperation. We have all been the unhappy witnesses of the re-emergence of nationalist reflexes. By now every issue that comes up is used as a pretext for picking an interinstitutional quarrel, for sparking off a crisis of confidence between the Member States. Perhaps this is our way of avoiding the real problems. Perhaps it is a way of solving them. We are being treated to the sad spectacle of Europe indulging in bitter infighting with national vanities given full rein. Instead of anticipating or taking up the challenges of our decade, Europe is content to react, usually when it is too late. It is hardly surprising that our generation's idea of Europe as a grand design is losing ground.

During the Hallstein years no-one had any doubts about the Commission being an independent policy powerhouse. In those days the Council had no option but to act on the Commission's initiatives as it translated commitments spelled out in the Treaties and duly ratified by the Member States into regulations and directives. But as soon as it became necessary to go further and break new ground, the Council's influence in the formulation of decisions became more and more dominant. It must be said that today, in practice, the Council operates more like an intergovernmental conference than the institution described in the Treaties and given a specific mission which is well known to you all.

It is true that the well-meaning have tried to right the balance. The Commission, and the 'non-elected' Parliament too, have pointed repeatedly to the need for institutional reform. On each occasion—in 1962, in 1973 and again in 1975—the ingredients of the proposed reform included wider powers for the Commission as the Community's executive, stronger legislative powers for Parliament and a greatly reduced role for the Council and its committees. There is no need to tell you that no Council ever bothered to look

very closely at these proposals! The only significant institutional reform over the years has been your election by direct universal suffrage—and the Treaties made provision for that.

In the present crisis our reflex should be to close ranks, to defend the Community's cohesion and international identity. Instead, let's face it, there is a crisis of confidence between the institutions.

Why can't we all be courageous enough to take our fair share of the blame? The Council, for instance, is jeopardizing the effectiveness and development of our mission by trying to freeze budgetary funds, by refusing to apply its own rules and finally by failing to agree on new rules even where these are proposed at its request. On this point my considered opinion is that even a partial return to the qualified-majority vote written into the Treaties would be desirable, not to say indispensable, particularly in the enlargement context. Indeed the European Council itself has advocated this more than once.

By wanting to make the Commission more independent of the Council, some Members of this House are—understandably perhaps—in danger of going too far in the opposite direction. The Community is, after all, based on three institutions—the Council, the Commission and Parliament. The new Commission will defend its independence vigorously in the interests of the entire Community—in yours too—and in line with the Treaties. It will strive to be ever more vigilant and vigorous in discharging its responsibilities. It is determined to be the real motive force of the Community, jealously guarding its right of initiative. It will keep in close touch with Parliament, briefing it and consulting it scrupulously. That is a promise. The new Commission will endeavour to provide all the information that is necessary, nay essential, in a democratic Europe so that everyone can see and judge the whys and wherefores of the Commission's proposals, Parliament's views, and the Council's decisions. It was no idle promise I made to this House last month when I said that the new Commission intended to work to restore the institutional peace which we all want so badly.

Let us consider the consequences of the chronic deficiencies of our decision-making process. Taking the political view, there is a danger that, in time, our penchant for referring our disputes to the Court will diminish the Community and its institutions—the Court included. In passing may I, on behalf of the Commission, express my admiration for the Court, which has always managed to stay on course despite the storms. The Community needs it now perhaps more than ever to tell us what the law is.

However, it is just not right that the Community should be taking all its differences to the Court. We need to have done with legal wrangling, with

squabbles about interpretation. We need to identify our goal. The Community and the powers-that-be must have the courage to say what form of European integration they want. We must ask ourselves whether we are prepared to make the sacrifices that a political commitment of this kind entails.

Ladies and gentlemen, you know what Europe's problems are, just as the Commission knows what Europe's problems are. You, like us, must feel that the time has come to pull ourselves together. Without the support of Parliament, without the support of the Council, the two institutions participating with it in the decision-making process, the new Commission cannot succeed.

B. For this reason the institutions can and must join in a genuine three-way conversation:

- (i) which is based on the restoration of peace in our institutions and candour in their relations with each other;
- (ii) which accords the Commission a pivotal and catalytic role in defining the Community's response to the major issues of the day;
- (iii) which aims to evolve an entirely new formula for integration, putting Europe in a stronger position to meet the many challenges confronting it.

It seems to me that the restoration of peace in our institutions and candour in their relations with each other is absolutely vital if we are to succeed.

Let me explain. The Commission has no ambition to take over the functions of the Council, still less those of Parliament. What we want is to see the Council act—and I mean act—using the legislative powers conferred on it by the Treaties. We want it to act promptly, responsibly and above all consistently. But we also want it to act on the basis of Commission proposals drafted by officials who—and this is absolutely essential in my view—must remain independent in the performance of their duties. And I may say here and now that the new Commission will abandon the practice, resorted to occasionally in the past, of sending the Council compromise proposals which have been so watered down to satisfy national experts that little is left of the Commission's initial ideas. The new Commission's aim—and I give you my word on this—will be to produce proposals which reflect the interests of the Community, the whole Community, and nothing but the Community, proposals which we will be happy to stand over. Let me make it quite clear that the new Commission will not sit and wait for the Member States to authorize or invite it to do its duty under the Treaties.

As far as this House is concerned, may I say that the new Commission—and remember that 11 of us have served as MPs and government ministers—is expecting a great deal of you.

Firstly, we expect Parliament to muster a majority which is prepared to support the Commission—at least on the key issues—in the exercise of its role as initiator of proposals in the Community interest. Secondly, we expect Parliament to fulfil its consultative role by supplying us with high-quality reports which will unquestionably increase our knowledge and which will always be given due consideration. For our part, we promise to assist you in these tasks by briefing you as fully as possible. Mr Andriessen will have a crucial part to play here, and his reputation and past record are a sufficient earnest of our future intentions.

The new Commission is determined to live up to its obligations and make every effort to accomplish its mission. This goal is attainable now that its machinery has a direct line to the wishes of the people of Europe as expressed through this House. Not that this will change the face of Europe. The Commission cannot move mountains or transform the harsh realities of the recession. Our function and our duty is rather to incite others to action, exercising our right of initiative courageously and breaking new ground where necessary. This means that the new Commission—and this is something I feel strongly about—must form a truly united and collectively responsible body of men which cannot, need I say, be equated to a coalition government. Our position in this three-way conversation between the institutions must be determined by the twin principles of effectiveness and democracy; and equally by a duty to defend the application of Community law. It was this last consideration that decided us to initiate infringement proceedings in the current budget dispute. But we are by no means intransigent in this matter. We propose—and we are sure you will approve—to negotiate new arrangements with the Member States.

It must not be forgotten that these institutional questions are much more important to us than to any national government. As an institution which has barely come of age, we have a clear need to defend the few powers which the Treaties have given us so that we may be in a position to fulfil our function properly.

But—I repeat—the Commission must also play or resume a pivotal and catalytic role in defining the Community's response to the major issues of the day.

We have seen that the challenges facing the Community are constantly increasing both in number and scale and that the policies to be devised to

tackle them will, in the years ahead, go far beyond those provided for in the Treaties of Rome. Granted, the Treaties were written in an economic climate very different from today's. But where would we be without them?

While we do not wish to press the point, the new Commission is keen to speak for Europe in the great international debates of our time on issues which may not be explicitly mentioned in the Treaties, but nevertheless have a direct bearing on their application or inapplicability.

It is important that the Community as such, and not simply individual European States, should participate in major international debates. What institution other than the Commission, which the Treaty has placed under your control, would be better able to express a truly Community viewpoint on any issue you care to name?

We must try to realize that Europe loses credibility each time its partners perceive that its united front is a sham, that national and Community policies, even on fundamental matters deriving from the Treaties, are not only divergent but at times diametrically opposed. We are in danger of losing on the swings as well as the roundabouts. The tendency to break ranks, which has become more prevalent in recent years, could have disastrous results today.

What Europe really needs is an entirely new formula for integration. The future of Europe is patently not just a question of economics.

The world's cards are being redealt and Europe must make sure that it gets the hand it deserves. To do this it must first master, and if possible anticipate, the forces of political, technological and economic change. A political Community which would incorporate and transcend the three existing Communities is no longer an impossible dream. But it will never see the light of day without the political will which you, ladies and gentlemen, are in a good position to preach. And I say preach advisedly. For I have no illusions: unless the Member States act, unless the people of Europe are won over to the cause, unless there is a campaign to educate and inform our citizens, this new gospel could fall on stony ground. Instead of relying on a set of external mechanisms, such as common policies and institutions; to change people's attitudes, we should start from the attitudes themselves, from the inside, if we want to arrive some day at outward expressions of solidarity. We are building Europe: it might be an idea to create Europeans as well.

Your election by direct universal suffrage gave democracy a foothold in the European venture. But it would be a mistake to assume that your constituents now see the relevance of our work to them. Let us therefore remain alert and

attentive to the wishes of the people of Europe, and let us start by devising a new framework for dialogue between our two institutions.

It is not for me at this stage to suggest how we should go about this, for we must decide that together. All I would say is that in the Commission's view, no aspect of our relations should be overlooked.

With Europe—and indeed the world—in transition from one civilization to another, our task, here and now, is to plan a second-generation Europe.

A discerning reader of the programme and priorities which we have put before you will realize that through the review of the common agricultural policy and the creation of a new balance between it and other policies old and new, through monetary policy, energy policy, social and regional policy, it will be our privilege, over the months to come, to remodel the Community, to give European Union its definitive shape after 10 years of talk, in short to create or re-create Europe. And we must do this together—openly, unequivocally and avoiding the misunderstandings that have marred our past relations.

We must also commit ourselves openly to enlarging, strengthening and completing the Community. This triptych, first articulated at The Hague in 1969, remains essentially valid and now, 12 years on, we must make it a reality.

If we are to attain this goal, our first priority must be to clear up the fog surrounding the respective roles of the institutions and their relations with one another, otherwise as ambiguity leads to misunderstanding, and crisis to lawsuit, we will quickly run out of steam and lose what little confidence we still have in ourselves.

This need to put our house in order has often been neglected, then suddenly rediscovered in the reports of a great European like Leo Tindemans, or the Wise Men, or more and more experts, which sad to say have served only to fill the library shelves.

Which is why the Commission's question today is this: surely you, the elected representatives of the people of Europe, and we, the Members of the Commission, selected by our governments to be the guardians of the Treaties, the Community's executive, its powerhouse, surely we—together—are capable of producing all the proposals we need on what can and must be done to plan this European Union?

The European Council, and the Council of Ministers in its various guises, are, I believe, regular visitors in this House; they too are invited to take part in the great mission which awaits us. But even if our governments quite

understandably prefer at this stage to stand on their dignity, in the knowledge of their power, and insist on acting only on proposals, you at Parliament and we at the Commission should declare ourselves ready to commence the task of laying the foundations of the new Europe without delay with the intention of completing it during your term of office.

Ladies and gentlemen, we must constantly bear in mind that by 1985 we must have consolidated the Community, and this we can only do by adapting it, by underpinning what already exists and by developing our institutions and the relations between them. By 1985 either our Community will have progressed as I have indicated, it will have gone further and gained strength, or it will not even be what it is today, it will be falling apart at the seams.

My appeal to you on behalf of the new Commission and on behalf of Europe is that the three institutions should work together to breathe new life and vigour into our Community. I would ask you therefore to continue to keep watch over the affairs of Europe, bearing two things in mind:

- (i) firstly, it is far from certain that time is on Europe's side. Thanks to the headlong advances of technology, our planet is constantly shrinking. The major problems of our time are gradually becoming universal in nature, and everything points to the fact that our geographical situation and historical heritage will in future be a less powerful impetus to solidarity and cooperation than they have been in the past;
- (ii) and secondly, in the tasks which lie before us we will need as much courage as imagination. Alfred Grosser recently dubbed me 'the man who wouldn't give up'. I hope, ladies and gentlemen, that where Europe is concerned, I may prove him right. And I hope that he will be able to say the same of each and every one of you.

The Commission's outline work programme, 1981

The Commission's outline work programme, 1981

Introduction

1. This paper provides a policy framework for the activities of the Commission in 1981. The paper does not aim at presenting an exhaustive list of these activities. It attempts rather to constitute a statement of priority actions as measured against certain major issues which will be central to the preoccupations of Member States and of the Community as a whole in the current year.

2. The Commission's programme for 1981, which is the first of its kind, needs to fulfil a triple role. First, it should identify the major political and economic issues facing the members of the Community. Second, it should contain a clear statement of the principles that need to apply to action at Community level. Third, it should set out in specific terms the Commission's major activities for 1981 taking full account of the scarce financial and administrative resources, while ensuring that the means by which the policies can be put into practice are available.

Main problems of the 1980s

3. An identification of the major medium-term economic and social problems facing Member States of the Community is an essential background against which priorities for action at Community level can be formulated. These groups of problems, which are closely interrelated, could be conveniently summarized as:

- (i) Inflation, low growth and unemployment. The approaches of governments to these problems have certain factors in common: all have given priority to reducing inflation, all have perceived the advantages of improving the coordination of their attempts to promote growth, all are seeking ways to reduce unemployment and all are endeavouring to reduce their energy problems. Since 1979 the EMS has comprised an effective framework for monetary stability and solidarity. None the less, great economic and social disparities continue to exist both between Member States and within each

Member State. The Commission has to take account of this situation in framing its priorities.

- (ii) Difficulties of price and supply in the energy sector. These difficulties, and particularly the oil problems, are intimately related to the broader economic issues. Longer-term solutions for the latter will largely depend on substantial and progressive easing of the problems related to energy. To this end, Member States have in particular a common need to decrease their dependence on external sources of energy.
- (iii) The restructuring of industry and the challenge of technological innovation. The rapid development of new technologies and the obsolescence of others brings a new dimension to the range of present difficulties which will have to be resolved in collaboration with the Social Partners and on the basis of an overall social consensus. European industry will only be in a position to withstand the twofold challenge of a massive volume of imports from certain third countries and of the need for restructuring and the introduction of technological innovation if the internal market, which represents a vital European dimension, is maintained and completed.
- (iv) Challenges arising from the international trading system. The completion of the internal market also depends to a great extent on a strengthened common commercial policy. On the one hand the Community, which exports a significant proportion of its GDP, needs to make every effort to strengthen a system of open world trade. On the other hand important changes are taking place in the location of industrial production in the world and in the pattern of industrial trade which flows from it. This growing interdependence of commercial exchanges implies on the one hand a joint and shared responsibility between members of the Community and developing countries; and on the other hand the need for positive policies of industrial adjustment within the Community if the process is to be controlled and guided rather than resisted under protectionist pressures.
- (v) Major issues connected with developing countries. These include assistance over their problems of indebtedness, policies in respect of aid and economic cooperation, raw materials and energy which will have to be worked out within the framework of the North-South Dialogue.

4. The Community will need to support and whenever appropriate coordinate the efforts of Member States in meeting these problems. Moreover there are certain broad issues which concern the Community as such and to which any programme of activity must also address itself if the Community is to be able to develop beyond its present stage. These include:

- (i) Problems associated with the balance of Community policies and their financing, the principal objective being to ensure that the use of financial resources corresponds to real needs.
- (ii) Regional disparities. These have shown a tendency to increase in recent years both as between Member States and within the different regions of which the former are made up. This tendency may become more marked with the entry of Greece into the Community. By coordinating the use of its financial instruments the Community will need to do more to reduce these economic and social disparities.
- (iii) Enlargement of the Community. Enlargement to include Spain and Portugal will give rise in the medium term to problems both internally and in respect of third countries, particularly those in the Mediterranean basin. Such problems will need to be taken into account progressively in the execution of a range of Community policies.

The re-examination of Community policies

5. Any statement of priorities for Commission work must take as its point of departure the exceptional position in which the Commission and the Community will find itself over the next two years. The Community has committed itself to resolving the budgetary problems which have been threatening its cohesion through a policy of structural change while taking account of the guidelines in this respect which were laid down by the Council on 30 May 1980. To this end the Commission has been requested to complete an examination of the development of Community policies by June 1981. In this context it should be noted that the Community will have to operate in the immediate future within a *de facto* ceiling on its expenditure, even if it is clear to the Commission that new sources will have to be provided at the appropriate time if an enlarging Community is to survive and develop.

6. These circumstances will have three overall consequences for the Commission. First, existing policies will have to be managed with the maximum economy. Second, there will have to be a rigorous choice of priorities as regards any proposals for new Community expenditure. Third, there will be a new incentive to see where the Community can take effective action in certain fields not involving the use of own resources or without recourse at all to finances as a means of executing policies.

7. In connection with the above, a resolution of the European Parliament has been noted by the Commission. This resolution of 6 November 1980 calls on the new Commission and the Council to present budgets which are 'the expression of a global policy which has been discussed and accepted by all the institutions, and which is both balanced in its constituent parts and worthy of a developing Community'.

Main areas for action

8. The main work on which the Commission will need to concentrate in the coming year is closely related to the groups of major problems identified above under 'Main problems of the 1980s'. The Commission's priority activities should therefore be seen as deriving from those issues which are of fundamental concern to Member States and to the Community as a whole. At the same time certain broad principles should apply in respect of these activities.

9. First, Community-wide policies must be capable of adjustment to meet new priorities and must therefore be relevant to the problems of the 1980s both for Member States and for the Community. Second, the Community should only intervene where significant benefits can be obtained in contrast with national levels of public activity. Two criteria for taking action would seem particularly relevant: where economies of scale can be achieved, including greater bargaining power with third countries; and where activities or problems taking place in one part of the Community have a direct impact on part or all of the rest of the Community. Intervention can comprise varying kinds of legal or financial collaboration between and with Member States in which the Community can have a specific, even if often limited, role. Once again, budgetary intervention will not always be the appropriate response to each problem: basic framework legislation or specific forms of coordination may on occasion be preferable.

10. To be fully effective, the outline programme needs to be more than a mere list of activities drawn up at the beginning of the year. It should become an instrument to ensure that groups of issues are treated together and that they are given regular political discussion. In this way interrelationships can be seen more clearly and there can be a concentration rather than a dispersal of political attention on problems as they develop and change over the period.

11. In the light of these considerations, the main areas for action are presented as follows:

Reinforcement of the Community 'acquis'

The management of existing policies

The management of existing Community policies will continue to absorb the bulk of the Commission's resources. Good management by an efficient European civil service should be seen as a permanent priority and it is therefore important to pay particular attention to the effectiveness of the day-to-day operation of policies, especially in a period of financial and staffing stringency. Moreover the credibility of the Commission's priority activities, which may attract greater political attention, will depend to a considerable extent upon the effectiveness with which existing policies are seen to be managed.

Efficient
management

Completing the common market and competition policy

It will be important to maintain and deepen the internal market as an indispensable framework for Community action.

To this end the Commission:

- (i) will continue to ensure respect for Community law without dramatizing, at the political level, the necessary procedures foreseen under the Treaty (for example infringement procedures);
- (ii) will endeavour to take useful steps forward in the area of harmonization by taking appropriate measures to face the Council with its decision-making responsibilities in respect of some 80 proposals which are currently before it;
- (iii) will re-examine its present methods of work:
 - (a) on the one hand, in the light of the possibilities for action on the part of the Commission following the *Cassis de Dijon* judgment (concerning the free circulation of goods),

Respect for
Community law

Free circulation
and barriers to
trade

(b) on the other hand through making more practical use of the technique of framework directives in conjunction with the use, through delegation to the Commission, of applied legislation by the Council, as foreseen under Article 155(4) of the EEC Treaty;

(iv) will ensure that national policy initiatives do not cause further fragmentation of the common market through creating new obstacles to trade.

Further steps to complete the customs union, which represents an important Community instrument in the implementation of external economic policy, will be taken on the basis of the work programme which has already been drawn up for 1981.

Customs union

The Commission maintains the objective of suppressing fiscal barriers to free circulation and fiscal distortions affecting international trade. With this aim it will continue in 1981 to work towards the harmonization of indirect tax structures. Moreover it intends to accelerate the Community's work in the fields of banking and insurance through the introduction of two new draft directives in the banking sector, and the pursuit of agreement to the six draft directives which are already before the Council in the insurance sector.

Fiscal harmonization, tertiary sector

Priority will also be given to the draft legislation before the Council on the control of mergers; and to the elaboration of regulations for the application of Community competition rules to air and maritime transport.

Competition

The achievement of a common market requires that the Treaty provisions in respect of national aids be respected by Member States. As part of its continuing work of assessment of industrial and regional aids, the Commission will aim to adopt the final version of the fifth Directive on shipbuilding aids; to renew the disciplines applying to aids in the steel sector; and to renew the principles of coordination applying to regional aids. Fresh attention will also be paid to State aids in the agricultural sector.

State aids

The mandate of 30 May 1980¹

The Commission has already agreed a programme covering the first stages of the work to be undertaken. These involve a global review of the possibilities for adapting and developing policies; an analysis of the associated financing problems; and a study of questions associated with new own resources. The completion of this work within the Commission and subsequent discussions within the Council are likely to take up a major part of the time and effort of the college in 1981.

Structural
changes

Internal policy priorities*Economic and monetary policies*

The medium-term objective is to raise the level of employment, improve price stability and to improve the competitiveness of the Community economy.

The creation of an increasingly strong framework for concerted action by Member States and the better use of the Community's own financial, monetary and sectoral policy instruments provide an important means of working towards economic and social objectives.

The coordination of Community policies will take place through the updating of the 1980-81 Economic Report in March; the definition of budget guidelines for 1982 in July; and the elaboration of the 1981-82 Economic Report in October. The basis of these reports will also be reflected in the principal conclusions of the fifth medium-term programme which will be adopted by the Commission in the first part of 1981.

Coordination
of economic
and budgetary
policies

¹ 'For 1982, the Community is pledged to resolve the problem by means of structural changes (Commission mandate, to be fulfilled by the end of June 1981: the examination will concern the development of Community policies, without calling into question the common financial responsibility for these policies which are financed from the Community's own resources; or the basic principles of the common agricultural policy. Taking account of the situation and interests of all Member States, this examination will aim to prevent the recurrence of unacceptable situations for any of them).'

In the monetary field priority will be given to work on improving and strengthening the EMS: developing the role of the ECU, reinforcing loan mechanisms and dealing with balance-of-payments questions. Preparatory discussions concerned with the move to the institutional stage of the EMS will be intensified. An interim report from the Commission to the Council is foreseen for mid-1981.

Strengthening
the EMS

The Community's borrowing and lending operations under the ECSC and Euratom Treaties will be strengthened. The Commission attaches particular importance to the adoption of its proposal for stabilizing arrangements for the New Community instrument.

New Community
instrument

Energy

The Community has agreed a number of specific measures to ease the oil supply situation following developments in the Gulf. The Commission's task is now to monitor closely the effectiveness of these measures and, as necessary, to prepare proposals for further Community action in the light of the developing situation.

For the longer term, the Community has agreed energy objectives which provide the framework for necessary structural changes particularly as regards reducing energy consumption, reducing dependence on oil, and making greater use of solid fuels and nuclear energy as well as renewable sources of energy.

Energy
objectives 1990

The Commission will do its best to ensure that measures taken at national and Community level will enable these objectives to be achieved. In order to be in a position to take any necessary steps the Commission is currently examining in detail the programmes of Member States in the energy field and will make a report to the Council in this area at the beginning of 1981. This report will deal with the relationship between programmes and agreed objectives with particular attention to the level of planned investments and to those

Reports on the
basis of national
energy
programmes

sectors where close coordination will be required for action at Community level. A separate report will examine the energy saving policies of Member States and the degree to which they are in conformity with the guidelines of the basic programme agreed by the Council.

The Commission intends to pursue in 1981 the possible use of interest rebates to ensure that necessary investments are made in order to encourage converging national efforts.

The Commission will continue to examine together with Member States energy price and tax policies across the Community with the aim of creating a price policy for energy which is compatible with energy objectives. Particular attention will be paid to the impact of prices on industry.

Energy price
and tax policy

Stable relations between oil producers and consumers are indispensable for equilibrium of the world market. Further cooperation between industrialized consuming countries is also necessary, as well as increased cooperation with the non-oil-producing developing countries. The Community needs to bring a constructive contribution to the various discussions of these questions; as on a number of previous occasions the Commission will make appropriate proposals to the Council.

External actions

With nuclear energy as an essential element in any Community energy strategy a constant effort is required to ensure its smooth development. Given the fundamental importance of nuclear safety the Commission has taken a number of internal measures to help it to pursue, as a priority, Community work in this area.

Nuclear safety

Industrial restructuring and innovation — Research and development

The adjustment of industrial structures under the evolution of energy and labour costs as well as of international demand remains the first priority for action at Community level in the industrial field. The chief aim must be to increase productivity in the industrial and service sectors through encouraging

Structural
adjustments

innovation. Here, the Commission will be putting forward a coherent set of initiatives and actions, based upon the conclusions of the European Council of December 1980, and aiming at taking maximum advantage out of the economic dimension of the internal market.

As regards sectors in relative decline the role of the Community is to ensure that policies designed to assist restructuring are market oriented and do not simply lead to reinforcing the national character of productive processes or to the re-creation of preferential markets for their benefit. The nature of Community interventions will depend both on the problems of the sector concerned and the means at the disposal of the Community. For steel for example, the instruments of the ECSC Treaty will be fully used. For textiles, the common commercial policy together with the renegotiation of the MFA will again provide the framework within which adjustment can take place. As regards other sectors the framework of national aids, certain research activities or the use of the Community's financial instruments will provide a Community contribution to their recovery.

Sectors in
difficulty

As regards sectors having a growth potential, Community action should be designed to rid them of technical and administrative obstacles in the shape of regulations hampering their development and fragmenting the Community market. When this market, as is generally the case, results from research and development, the Community must ensure the coordination and the maximum exploitation of national actions. The Community will need as necessary to promote training in new products and services, particularly in the field of telecommunications, as part of its requirement to manage common policies. A specific initiative in favour of risk capital for the benefit of small enterprises which are particularly efficient will be taken in the high-technology sector. Moreover the Community needs to recognize the importance of creating economic and social structures designed to favour economic growth. The spirit of enterprise needs to be particularly encouraged in small- and medium-sized companies whose access to the Community's financial instruments should be facilitated at the same time as they benefit from simplified administrative and fiscal regulations.

Potential
growth sectors

Small- and
medium-sized
enterprises

As regards research and development, the major priority will be to complete the work necessary to draw up guidelines for a new four-year research programme for the period to 1985 within the objectives laid down by the Council: long-term security of supply in primary resources, improved competitiveness of European industry, and environmental protection. The need to improve the effectiveness of research at the Community level, particularly by encouraging greater mobility among researchers, will also receive attention.

Research
programme
1980-85

Environment and consumer policy

It will be necessary actively to pursue with Member States work concerning the environment in general, and in the first instance ensuring the application of directives which have already been agreed. Proposals will be made for more detailed actions within the framework outlined in the second environmental programme. A third programme will need to be prepared.

Environment
programme

It will also be important to ensure the follow up to the second consumer programme, once this has been adopted by the Council. Several draft directives should also be adopted by the Council particularly those aimed at consumer security.

Consumer
programme

Social and employment policy

1981 will again be a year of high unemployment and substantial structural change, inevitably causing social tensions. The first priority for the Community's social and employment policies will be to work towards the consensus among all those concerned with employment on the development of a coherent economic and social strategy for fighting unemployment and aiding the transition to new social, regional and industrial structures. Within this framework, it will be necessary to adapt existing policy

Social consensus

Revision of
Social Fund

instruments (this includes preparation of the revision of the Social Fund itself) and to pursue the dialogue with the social partners with a view to promoting a more equal distribution of employment and improving the management of the labour market. Second, specific social and employment policies will be required in view of particular industrial developments contributing to both crisis and restructuring programmes notably in the steel sector and also in response to the challenge posed by the new micro-electronic technologies. Equally, particular importance will be given, by the Commission, to the growing problem of youth unemployment within the Community. Third, given the especially vulnerable situation of certain groups in the population and of particular local communities, it will be necessary to reinforce specific measures designed to promote their economic and social wellbeing.

Social
implications of
restructuring

Reduction of regional disparities

Numerous Community policies have an important regional dimension including those for agriculture, social affairs, industry, energy and the environment. The Commission will pay particular attention to this dimension and will continue to improve the coordination of its structural policies.

Regional dimension
of Community
policies

The Commission will also be proposing in 1981 priorities for action and orientations based upon the first 'Report on the socio-economic situation of the regions within the Community' which will contribute to defining a new common regional policy. The Commission will also propose a revision of the methods of operation of the Regional Development Fund with the aim of giving it a more active role as regards both the quota and non-quota sections of the Fund. These proposals will be placed in the framework of a more effective coordination of national regional policies resulting from improved regional programmes. Finally, the Commission will continue to implement the supplementary measures in favour of the United Kingdom.

Priorities for
action

Revision of the
Regional
Development Fund

Coordination of
regional policies

Transport policy

The Commission has forwarded to the Council an important policy statement on priorities and a programme of work for decision by the Council in the transport sector to cover the period 1981-83. In this context particular attention is to be given to the proposals before the Council for a transport infrastructure financing regulation; for a better scope for flexible and economic transport services between Community countries; for developing a Community railways policy; and for action in the sectors of air transport and shipping.

1981-83
transport
programme

Transport
infrastructure

Agriculture and fisheries policy

In the reflections on the common agricultural policy contained in its Communication to the Council of December 1980, the Commission already prefigured the adaptations to market policies which it believes to be necessary in order to improve the efficiency of agricultural expenditure and reduce its rate of growth while respecting the basic principles of the CAP and the obligations of the Community towards the farming population. These adaptations, accompanying the 1981/82 agricultural price proposals, will represent a major priority in the first half of 1981. The examination of the agricultural policy will also be pursued further, particularly in connection with the mandate of 30 May 1980.

Adaptations to
the CAP

Agricultural
proposals and
associated
measures

Within the agricultural policy priority will be given in 1981 to harmonizing national veterinary legislation. Furthermore, as soon as the Council has adopted the structural measures which have been proposed, they must be applied by the Commission, and it will also be necessary to apply structural measures for Greece.

Veterinary
legislation

Structural
measures

A priority objective for the Commission is to see the application in 1981 of an overall common policy for fisheries, adapted to the new conditions affecting the 200-mile zones. Community actions for restructuring, modernizing and developing the fisheries sector in its new circumstances must also be agreed.

Fisheries

External priorities

Commercial relations and cooperation

As the single biggest exporting group in the world, the Community has a vital interest in maintaining a liberal world trading system and in the careful application of the rules and procedures of the GATT. In the same context close cooperation needs to be maintained with the EFTA partners, as well as with the United States and Japan. Links with developing countries also need strengthening and the most advanced of them have to be persuaded of the need to assume obligations corresponding to their economic strength, especially in the GATT framework.

Open world
trade

At the bilateral level tensions resulting from commercial imbalances with Japan must be eliminated. Solutions must also be found to particular problems with important commercial partners such as the United States, New Zealand, Australia and Yugoslavia.

Bilateral
trading
relations

The Multifibre Arrangement, in respect of which the Council will have to adopt negotiating directives by the summer of 1981, will be renegotiated during the second half of the year. A balance must be found between the interests of developing countries and the Member States of the Community as well as between the textiles sector and the whole of the economy. Certain international agreements on raw materials will also have to be renewed or concluded in the course of 1981.

Multifibre
Arrangement

Relations with developing countries and the North-South Dialogue

Strengthened links with developing countries and the integration of these countries within the world economy are of great economic and political importance to the Community. Priority will be given to four major areas of work. The first concerns the North-South Dialogue within which work must be pursued in order to establish Community positions on the

North-South
Dialogue

questions of energy supply and demand, the supply of raw materials, as well as food questions and financial problems. The Commission will shortly be addressing a communication to the Council. The second area concerns the application of the second Lomé Convention and its new provisions.

Lomé

Strengthened relations with the non-associated developing countries with which the Community will continue over the next few years to improve links in the fields of finance and cooperation, comprises the third area. At the same time agreements with India and the Andean Pact should be signed. Particular attention will be paid to strengthening relations with Latin America. Fourthly, after the decisions of the European Council the Euro-Arab Dialogue will have a more important and active role in the course of 1981.

Non-associated
and other
developing
countriesEuro-Arab
Dialogue

*Relations with the countries of the Mediterranean basin
and enlargement*

Community policies in the Mediterranean basin will become increasingly important in 1981 and particular attention will have to be given to both bilateral and multilateral relations. In the eastern Mediterranean the Community will need to apply its new agreement with Yugoslavia (while adapting it to take Greek entry into account) and will have to reach a clearer view of its future relations with Turkey. The Community will also have to renegotiate in 1981 the financial protocols to the agreements signed with the countries of the southern Mediterranean, since these protocols require renewal within the second half of this year.

Bilateral and
multilateral
relations

The Community will pursue the entry negotiations with Spain and Portugal and will need to pay particular attention to the consequences which the entry of these countries could have both for the present Community and for other Mediterranean countries.

Spain and
Portugal

European Communities—Commission

Programme of the Commission

Luxembourg: Office for Official Publications of the European Communities

1981 — 45 pp. — 16.2 × 22.9 cm

DA, DE, GR, EN, FR, IT, NL

ISBN 92-825-2226-1

Catalogue number: CB-31-80-110-EN-C

Price (excluding VAT) in Luxembourg

ECU 0.97 BFR 40 IRL 0.67 UKL 0.50 USD 1.30

This booklet contains the address delivered by the President of the Commission and the Commission's outline work programme for 1981.