

Extract from the Seventh General Report on the Activities of  
the European Communities 1973

**ANNEXED MEMORANDUM**

Programme of the Commission for 1974

## **Memorandum annexed to the address on the programme for 1974<sup>1</sup>**

### **I. Europe's external personality**

1. In 1974 the Commission proposes to pursue vigorously the various actions begun in 1973 and previous years in the field of external relations. It particularly hopes to intensify and develop the constructive dialogue with the United States, Japan and Canada, to ensure that the Community plays an effective rôle in the multilateral trade negotiations and continues to develop its policy on aid to the developing countries, in particular on the basis of its special relations with the associated countries, which will be extended to other countries, introducing a dynamic system of generalized preferences and establishing other measures for economic cooperation. The Commission also intends to make proposals for intensifying relations between the Community and the energy-producing countries. Finally, priority will be given to the elaboration of a common commercial policy vis-à-vis the East bloc countries.

The Paris Summit Conference divided action in this field into three parts: relations with the developing countries, relations with the industrialized countries and relations with Eastern Europe. The Commission intends to develop this policy in 1974 by the following means.

2. 1973 saw the first round of negotiations aiming both at renewing and deepening the special relations existing between Europe and a large number of African countries and extending these relations to other countries, both in Africa and in the Caribbean, Indian Ocean and Pacific.

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<sup>1</sup> Text adopted on 28 January 1974.

The Commission would like these negotiations to come to a speedy end so that the new Association Agreement can enter into force on 1 February 1975. This is the date of expiry of the Association Agreements with the AASM and the East African countries and the *status quo* trade arrangements which the potential associated Commonwealth countries at present enjoy in the three new Member States. The Commission hopes that the progress of the negotiations will enable it shortly to place supplementary proposals for negotiating directives before the Council, in order that the negotiations may be completed in good time.

3. The Commission will continue pursuing its aim of negotiating an overall Mediterranean policy. It regrets that the negotiations with Spain, Israel and the three Maghreb countries begun in 1973, which represent the first concrete manifestation of that aim, could not be concluded, as the Community had undertaken, before 31 December 1973. It must therefore recall how urgent it is to conclude these agreements and, with this in view, is waiting for new negotiating directives. This first series of negotiations could be followed by a second, which would especially concern relations between the Community and certain countries to the East of the Mediterranean, such as Jordan and Lebanon, which have already expressed a desire for such negotiations.

4. The Commission also proposes to initiate a second series of consultations with the Asian Commonwealth members, covered by the Declaration of Intent annexed to the Treaty of Accession, with a view to discussing with those countries the problems which might arise in trading matters, so as to find appropriate solutions which take account of the scope of the generalized preferences scheme and of the situation of other developing countries in the same region. The Commission will present the proposals which it considers necessary for the application of the Declaration of Intent.

5. As regards the Community policy of development cooperation on a world-wide scale, the Commission will pay special attention in 1974 to ensuring that the developing countries derive the greatest possible benefit from the improvements to the Community generalized preference scheme. It will also endeavour to extend and develop this scheme in its proposals for 1975, which it will be sending to the Council before the 1974 summer holidays. On 5 November 1973 the Council took a decision of principle to give the Community resources which, although very modest at this stage, would enable it to finance certain technical cooperation projects which might be requested by the developing countries in Asia or in Latin America. This decision cannot be implemented until the Council has solved all the problems relating to the Community policy on development cooperation at world level.

The Council therefore hopes that the next Council meeting on cooperation matters, scheduled for the first quarter of 1974, will provide an opportunity to achieve further progress in this direction.

6. The Commission is particularly concerned at the FAO forecasts regarding the growing need for food imports to the developing countries. Thus, alongside measures already in progress (e.g. the substantial food aid to the Sahel countries), it intends to submit, in the first quarter of 1974, proposals designed to promote a coherent Community food aid policy which, in its view, will have to emphasize the need, not only to help those countries where the situation is critical, but also to enable recipient countries to increase their own food production.

7. The Commission proposes to intensify and develop the constructive dialogue which it has initiated with its industrialized partners, in particular the United States, Japan and Canada, both bilaterally and multilaterally and in all the fields with which the Community has power to deal. In matters which go beyond the Community's powers, the Commission will endeavour to ensure that the Nine adopt common positions in political cooperation, while always respecting the Community's prerogatives.

8. As regards the multilateral trade negotiations, the negotiations themselves will only begin when all the parties have received negotiating instructions, and in particular when the United States has finally enacted its Trade Bill. The Commission will do all it can to ensure that the Community is in a position to deal thoroughly with the individual subjects of the negotiations as soon as the negotiations themselves get under way. With this in view, it will submit proposals for the initial negotiating directives to the Council during the first half of 1974.

9. Turning to analysis of the Treaty of Accession to GATT, the Community, in December 1973, made an additional general offer to the Contracting Parties with which it was negotiating under Article XXIV (6). The Commission hopes that negotiations will quickly be brought to a conclusion on the basis of this offer.

10. A new Agreement on international trade in textiles has been concluded in Geneva within GATT. It is envisaged that the Community will formally accede to this Agreement and, for this purpose, it will be submitting proposals for Council decisions as soon as possible, early in this year.

11. The Commission will be represented at various meetings in international organizations. Special mention should be made of the UN Conference on the Law

of the Sea. The Commission hopes to present to the Council its general Communication on the problems arising from this Conference at the beginning of March, to enable the Council to give its decision not later than the beginning of May.

12. The Commission welcomes the Council's decision to accept the invitation from the United States to the Conference of February 1974 where energy questions will be dealt with. It regards this Conference as a first step towards settlement of these questions at the international level. In 1973 the Commission had already stressed the need to develop close relations with the developing countries, including those which produce energy, by greater cooperation with them.

13. Turning to export credits, the Commission will impress on the Council the need to adopt as quickly as possible the Commission proposals concerning credit insurance and preferential interest rates listed in the industrial policy action programme it adopted on 18 December 1973.

14. Since 1 January 1973, the commercial policy relating to State-trading countries prohibits Member States from carrying on individual negotiations with these countries. The Commission will submit to the Council proposals for the opening of trade negotiations with these countries where it believes appropriate.

15. In October 1973, the Commission also forwarded to the Council a draft decision concerning prior consultation on economic cooperation agreements concluded by Member States with third countries. The Commission would like this decision to be applied as soon as possible for it would ensure a broader coordination of policies on cooperation with East bloc countries.

16. In the Conference on Security and Cooperation in Europe the Commission will also work for a conclusion on the basis of which trade and cooperation between all the European countries can develop harmoniously and the Community can establish its position as the cornerstone of a stable Europe founded on détente and a mutually outward-looking attitude on the part of all countries.

## II. A common energy policy

17. Action by the Commission with regard to an energy policy will centre on the following subjects:

### **Problems arising from the present crisis**

18. Factors such as the changing situation and its possible repercussions on production, employment, prices, balance of payments and monetary reserves, together with the consultations to be conducted by the Commission in the various quarters, in particular the Energy Committee, may cause the Commission to propose new measures to strengthen those already taken or proposed.

At the moment it is not possible to say what the exact content or scope of these additional measures will be, nor the time-table for their implementation; these matters will be determined by the development of the situation, which the Commission will be watching very closely.

### **Reducing dependence on oil**

19. In accordance with the directives given by Heads of State or Government at their Copenhagen meeting, the Commission will forward a Community programme on alternative sources of energy to the Council by 28 February 1974 at the latest.

This programme will include a plan of action for promoting the use of nuclear energy, the aim of which will be to do everything possible to speed up the changeover to nuclear energy. Implementation of this plan will be phased over 1974 and will

include, for example, proposals for the health and safety of workers and the general public.

The programme will also include a proposed directive to be forwarded to the Council on the use of natural gas and a communication on the rational use of energy.

Finally, the Commission is currently working out medium-term guidelines for the coal sector to ascertain what the future rôle of coal may be in the Community's energy supply, and in particular the conditions for maintaining and developing coal production. This document may be available in the second quarter of the year.

The Commission has started work on medium-term guidelines for the electricity sector, to be put forward by the end of 1974.

As far as energy research is concerned, the Commission plans to make proposals to the Council regarding projects of Community interest, based mainly on the work of an *ad hoc* working party of senior officials specializing in energy and an 'energy' study group within the European Committee on Research and Development (ECRD). The *ad hoc* working party is shortly to supplement and broaden its first study of research requirements and produce a reference report which can be subjected to continuous review.

The Commission is also planning to make an in-depth study of the longer term prospects for the supply of and demand for energy; the initial results of this study may be available by the end of the year.

### **Oil supplies**

20. The Commission has already put proposals before the Council dealing primarily with the organization of the internal oil markets, the intention being to improve information for the Community and national authorities, to create permanent consultation between these authorities and the oil industry, and to establish common arrangements for importing and exporting oil.

The Commission has also forwarded to the Council a draft Regulation for a temporary Community system of surveillance of price of oil products. This comes within the course of action adopted by the Commission to harmonize pricing arrangements for oil products; these arrangements take account of both the need for a stable supply policy and the proper functioning of the market. The Commission will shortly make proposals on this pricing system within the framework of a longer-term policy;

it also draws attention to the proposals it has put forward for harmonizing the structure and rates of excise duty on oil products.

As contacts with the parties concerned are made, the Commission will supplement and develop its proposals with the aim of evolving a common attitude on the part of Member States in working towards closer cooperation between the energy-producing and the energy-consuming countries.



### III. An integrated economic entity

#### **A. Achievement of the second stage of Economic and Monetary Union — general policies**

##### **— Economic and financial affairs**

21. The Commission has put forward to the Council a certain number of proposals concerning the transition to the second stage of Economic and Monetary Union (EMU). This stage should commence at the beginning of 1974 and end not later than 31 December 1976. Transition to the second stage meant that in the early months of 1974 major progress had to be made in preparing and administering a Community economic and monetary policy in order to rectify the inadequacies of the first stage and to make it possible to complete the EMU by the planned 1980 deadline.

Since the Council has not yet adopted its final decision, the Commission intends to take all the necessary measures in 1974 to ensure that real progress is made and that the ultimate aim of achieving Economic and Monetary Union by 1980 does not fall by the wayside.

Accordingly, the proposals which the Commission may make in 1974 are of two types:

- (a) Those which follow from the proposals which it sent to the Council for the achievement of the second stage, and whose outline is already fairly clear;

- (b) Those which may become necessary as a result of economic and monetary developments which, at the present time, are particularly uncertain and which cannot yet be predicted clearly.

22. *The following are the first type of proposal:*

**In the first quarter:**

- (i) Proposals concerning an outline economic policy for the current year, reflecting the new exigencies of economic developments. These proposals, in accordance with Article 2 of the Council Decision on the attainment of a high degree of convergence of the economic policies of the EEC Member States, are to be accompanied by a balance sheet of the economic policy pursued over the past year;
- (ii) A new proposal on the organization of consultations on monetary policy mentioned in Article 8 of the Council Decision on the achievement of a high degree of convergence between economic policies;
- (iii) A proposal for the creation of a European Communities Institute for Economic Analysis and Research, whose function will be to assist in extending knowledge of the problems connected with economic integration in the Community (draft resolution on the achievement of a second stage: Part II (1)).

**In the second quarter:**

- (i) Proposals concerning the economic policies to be followed, in particular as regards quantitative guidelines for projected public budgets for the following year;
- (ii) Following the reports concerning the pooling of reserves which are to be drawn up before 31 March 1974 by the Monetary Committee, the Committee of Governors of Central Banks and the Board of Governors of the European Monetary Cooperation Fund, the Commission may feel the need to amend its first proposal, embodied in the draft Regulation amending Council Regulation (EEC) No 907/73 of 3 April 1973 setting up a European Monetary Cooperation Fund.

The Council has committed itself to deciding before 30 June 1974 on the Commission's initial proposal or on any amended proposal tabled before 30 April 1974 (draft resolution concerning a second stage: Part II (5)).

Towards the end of the third quarter:

Acting on a proposal from the Commission after consulting the Parliament and the Economic and Social Committee, the Council is to adopt an annual report on the economic situation in the Community and fix the guidelines to be followed by each Member State in its economic policy for the following year (Article 4 of the Decision on the achievement of a high degree of convergence between economic policies).

In the fourth quarter:

- (i) The Commission will present proposals for the introduction of Community machinery for supervising external capital movements to be utilized in due course. These proposals will also have to reflect the need gradually to achieve extensive freedom of movement for capital within the Community (resolution on the completion of a second stage: Part II (7)).
- (ii) The Commission will also have to propose a programme for harmonizing and coordinating the developing of economic and financial statistics which the Community needs (draft resolution on the completion of a second stage, II (1)).

23. In connection with proposals of the second type, we must realize that most recent events, the consequences of the energy crisis for growth, employment and balance of payments, the instability of the international monetary system and, lastly, the continued inflationary thrust involve dangers and risks which are common to all the member countries. The member countries can face up to these dangers and risks only by reinforcing their solidarity within the Community.

The decision of the French Government on 20 January 1974 to float the franc was the first sign of the risk that this solidarity might be dissipated.

It is to be hoped that the present situation will lead to strict application of the Community guidelines and to growing vigilance on the part of the Commission so that it may be in a position to submit the necessary proposals whenever required.

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24. The achievement of the second stage of Economic and Monetary Union involves establishing a programme of harmonizing taxes and the reinforcement of Community structural policies, in particular energy, industrial, regional and social policy. The measures to be taken by the Commission in these fields are described in this memorandum as follows:

Harmonization of taxes:	Part III	page 11
Energy policy:	Part II	page 5
Industrial policy:	Part III	page 15
Regional policy:	Part IV	page 26
Social policy:	Part IV	page 24

#### — Tax harmonization

25. During 1974 the Commission will make proposals to the Council with a view to drawing up the programme of tax harmonization which is necessary for the achievement of Economic and Monetary Union. This programme must be adopted in the course of 1974.

There are already a number of steps—see below—which must be taken in 1974. The Council will have to take them into account when it lays down a time-table for the work in progress.

#### Indirect taxes

26. The Commission intends to present to the Council in the second half of 1974 proposals concerning:

- (a) the harmonization of the procedures for collecting and recovering the own resources accruing from value added tax (VAT);
- (b) a further increase in travellers' duty and tax-free allowances.

In order to supplement the arrangements already introduced by the Council as regards duty and tax-free allowances, the Commission intends to make, towards the end of the first half of 1974, proposals intended to do away with double taxation

on removals within the Community and as regards the use of private cars for occupational purposes in a Member State other than that in which the vehicle is registered.

As regards excise duties, the Commission will present, during the first half of 1974, proposals for directives concerning respectively:

- (a) the application of certain measures provided for in the Council Directive of 19 December 1972 in the context of the continuation of work on the harmonization of excise duties on manufactured tobacco;
- (b) the tax arrangements applicable to mineral oils used in agriculture.

As regards indirect taxes other than turnover tax and excise duties, the Commission intends to present to the Council proposals for directives providing for:

- (a) the adaptation of the Council Directive of 17 July 1969 as regards capital duty, in order to avoid overtaxation in certain cases where capital is increased (first quarter of 1974);
- (b) the harmonization of indirect taxes on insurance contracts. This proposal will be presented towards the end of the first half of 1974, together with a proposal concerning freedom to provide services in the insurance field;
- (c) the harmonization of indirect taxes on security transactions (towards the end of 1974).

### **Direct taxes**

27. Under the programme adopted for the first stage of Economic and Monetary Union, the Commission will transmit to the Council, in the second half of 1974, proposals for directives concerning:

- (a) the harmonization of the systems of corporation tax and the arrangements for withholding taxes on dividends;
- (b) the harmonization of the arrangements for withholding taxes on interest on bonds. This proposal is linked with that which the Commission must make as regards the control of capital movements at the frontiers of the Community.

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**Full implementation of the system of own resources**

28. At the end of this year the system of own resources is due to become fully operational.

However, before the Community's own resources from VAT provided for in the Decision of 21 April 1970 can be effectively created, it is imperative that the Council should act on the proposal for a directive on establishing a uniform basis for this tax.

The Commission will try to create, by the end of the year, the necessary conditions for uniform methods of collecting and recovering own resources in all the Member States (see page 11, 'Tax harmonization').

**— Harmonization of legislation relating to financial institutions**

29. Alongside the other measures expressly provided for in connection with the attainment of Economic and Monetary Union, the Commission intends to send the Council, in the second half of 1974, a number of proposals for directives for coordination of rules governing the activities of financial institutions, and especially of banks and other credit establishments, investment associations, stockbrokers and other financial intermediaries.

It will thus be possible both to extend the field of application of the Directive of 28 June 1973 abolishing restrictions on freedom of establishment and freedom to provide services for banks and other financial establishments and to enable financial institutions already liberalized by the Directive and those subsequently to be liberalized to operate throughout the Community either by means of establishment or through the freedom to provide services, without being subject to conditions in addition to those which they are subject in their national territory.

30. With a view to promoting the integration of capital markets, the Commission will also continue to seek ways of ensuring the smooth functioning of the European securities market by coordinating regulations governing the structures of national securities markets. Towards the end of 1974 the Commission hopes to send the Council a proposal concerning the conditions governing Stock Exchange quotation.

31. As regards insurance, the Council, in 1973, adopted directives on coordination of provisions and freedom of establishment in respect of risk insurance, and the Com-

mission has recently made similar proposals relating to life assurance; to follow these up the Commission will, before the end of June 1974, send the Council new proposals to initiate the harmonization process which should lead to liberalization of the provision of services in the field of risk insurance.

## **B. Sectoral policies**

### **— Common agricultural policy**

32. In agriculture, 1974 will see significant development relating both to markets and to structures. Among other things, the Council will have to decide on a whole batch of practical proposals for the implementation of the Memorandum on the improvement of the common agricultural policy. Certain of these proposals were already made at the same time as the proposals concerning agricultural prices for 1974/75, which the Commission has just submitted to the Council. It can be expected that in the coming months the Commission will forward to the Council other proposals dealing both with markets and with structures.

33. It is important that the Council should give a ruling on the 1974/75 price proposals before the end of February. At the same time decisions will have to be taken on certain practical proposals for the implementation of the Memorandum on the reorganization of the common agricultural policy. The inter-relation between the price proposals and the other proposals is quite obvious. The proposals are largely for changes in the rules governing certain products already subject to common market organizations, such as milk products, beef and veal, cereals, oils and fats and wine.

Substantial progress should also be made in 1974 in the field of agricultural structures policy.

The Member States will begin implementing measures provided for in Directives No 159 (modernization of farms) and No 160 (cessation of agricultural activities). Directive No 161 (socio-economic guidance and professional qualifications) will probably be implemented late, but results can also be expected in 1974. In 1974 the Commission will, in any case, have to take financial decisions concerning the

measures provided for in these directives and will have to present the first report, and any necessary proposals for amending these directives before 1 August.

As regards agriculture in mountainous areas and certain other poor farming areas, once the Council has taken a decision defining the regions affected and the extent of the Community contribution to the compensatory allowances, the Member States will have to implement the measures envisaged. This means that the Commission will have to give its opinion on their intended course of action and adopt a decision regarding the financing of the measures envisaged. A proposal for measures to be taken in forestry with a view to improving agricultural structures and promoting better use of land will shortly be submitted to the Council. About the middle of 1974 the Commission will also send the Council a proposal concerning joint action to develop and rationalize the industries processing and marketing agricultural products.

#### — Industrial policy

34. The year 1974 will mark the first stage in the implementation of the programme of action on industrial and technological policy adopted by the Council on 18 December 1973 in compliance with the guidelines laid down by the Heads of State or Government at the Summit meeting on 21 October 1972. The Institutions therefore have a precise timetable for the performance of an initial series of projects in the industrial field for the period from 1 January 1974 to 1 January 1978.

The situation as regards the energy and raw materials markets has only served to underline the importance of the projects planned for 1974, which, moreover, include those relating to the supply of raw materials, and in particular of non-ferrous metals. The Commission has undertaken to forward its proposals to the Council during the first half of the year and the Council has been requested to take appropriate action as quickly as possible.

Most of the projects listed in the timetable annexed to the programme have already been covered by proposals. This timetable lays down precise deadlines for the Council's deliberations on the subject during 1974. Particular stress should therefore be laid on the principal new initiatives which the Commission intends to take during the year.

#### *Technical barriers to trade*

35. The programme makes provision for the drawing up of three new proposals on foodstuffs during the year (first half-year: labelling of foodstuffs; second half-year:



oils and fats). Attention should also be drawn to the fact that, as stated to the Council and Parliament in June 1973, the Commission plans to amend in the fairly near future a number of proposals which are no longer fully in line with the current situation, owing in particular to the enlargement of the Community.

In 1974 the Commission will put forward about 30 proposals in the industrial field.

*Elimination of legal barriers to inter-company cooperation*

36. Considerable progress could be made in 1974 in that, once the Opinions of the European Parliament and the Economic and Social Committee on the Statute for a European Company have been received—and as soon as the Commission has put forward its amended proposal—the Council will be able to conduct a very wide-ranging debate on the problems involved, notably those concerning worker participation.

*Promotion at a European level of companies able to compete in the field of advanced technology*

37. In the data-processing sector the Commission will continue its activities by proposing a number of major development projects of an international nature covering applications of data processing (third quarter).

*Changes in and conversion of certain branches of industry*

38. The Commission is hoping to put forward a proposal on the paper and paper-pulp sector during the first quarter, the Council having undertaken to come to a decision within nine months of receipt of this proposal.

**— Competition policy**

39. In the present economic situation, the Commission's work in the competition field has assumed a new dimension, and the competition rules contained in the Treaties have proved to be a powerful instrument of economic integration. The Commission will therefore step up its drive to eliminate restrictive or improper practices enabling certain undertakings to maintain unwarranted prices, often

by splitting up the markets. Special attention will be given to voluntary restraint agreements concluded with private undertakings in non-member countries, the direct or indirect effect of which is often to force up the prices of imported goods.

With the same general objective, the Commission will establish its policy on selective distribution systems for certain products. It will also systematically implement Article 86 of the Treaty, which prohibits the abuse of dominant positions by undertakings. In particular, it will continue to apply this Article to relevant concentration operations, pending the adoption by the Council of the concentration control regulation.

40. With regard to State aids, the Commission will maintain its efforts to encourage orderly structural development in the industrial, regional and social spheres by ensuring satisfactory conditions of competition in the Community and by ensuring that the Member States do not compete with each other in the granting of aids.

Having amplified in 1973 the principles of coordination of the general aid schemes with regional objectives, defined in 1971, by marking off, in accordance with Article 154 of the Act of Accession the central regions of the new Member States, the Commission will work out in 1974—so as to be in a position to establish its policy in the third quarter at the latest—a coordination arrangement which will be valid for all the Community regions and must, therefore, be more differentiated. In its work, the Commission will endeavour to give maximum weight to the nature and gravity of the problems to be solved and to take into consideration the priorities established by the Member States in the application of their regional aid schemes.

#### — Research, science and education

41. The year 1974 will witness the introduction of a common scientific and technological policy.

On 15 January 1974, the Council adopted the action programme proposed by the Commission and based on the guidelines established by the Paris Summit in October 1972. Under this programme, special attention will be paid to the coordination of national R & D policies and the definition of objectives and priorities for their implementation. These objectives are to be carried out with the permanent assistance of the competent national officials under the auspices of the Scientific and Technical Research Committee (CREST).

In the priority sectors, the Commission is to submit during the second quarter practical proposals for action of Community interest to support the Community's policies for individual industries of the Community, to be implemented by contract in the public or private research organizations of the Member States and by the JRC establishments. Besides the energy research activities mentioned on page 8, the Commission is to continue research in the fields of thermonuclear fusion, biology and health physics, and the environment.

In a preparatory phase lasting 12 months, which has already begun, the Commission is to have evaluated by a group of experts the utility and desirability of carrying out a permanent long-term study on 'Europe + 30 years'. This study will concern the foreseeable or possible developments likely to have a significant impact on the evolution of Europe over a 30-year period.

As regards Community research the decisions on financing and programmes adopted by the Council in February 1973—which put an end to an uncertainty which has lasted for years concerning the continuation of the activities of the Joint Research Centre (JRC)—have to be revised in 1974 in accordance with their terms, taking into account the new policy lines decided by the Commission. In future, the JRC will, in addition to providing the services incumbent upon it when the Community's policies for individual industries are introduced, have a part to play in external affairs in its capacity as a European scientific centre. This function should also be promoted by the development of training activities at various levels for research workers through the organization of holiday courses and seminars, beginning in the spring of 1974.

With regard to the stimulation of fundamental research, the Commission will continue to support the preparatory work in progress for the creation of a European Science Foundation involving a large number of European countries.

42. The Commission is convinced that, to achieve better utilization of scientific and technical information, an information community in the true sense should be set up. In the coming years, and in particular from 1974 onwards, it is accordingly necessary for the Community to create for itself an infrastructure enabling scientific and technical information to circulate efficiently.

In 1974, the Member States will accordingly have to continue to bring their scientific and technical information policies into line. In this respect the Commission will have an important initiating and coordinating function to fulfil notably in order to ensure that the various systems being set up can be integrated

into the European network, the development of which was decided on by the Council in 1971. For that purpose, the necessary action towards practical adaptation, including common rules, will have to be stimulated.

43. In education, the Commission has to draft the first proposals for specific action during the first quarter. The Commission will take into account the fact that education and vocational training policy is principally designed to back up the Community's other policies. One of the aims of this policy is to promote European integration by encouraging education establishments to include European studies in their curricula. At the same time there will, of course, have to be efforts to improve the teaching of modern European languages and to increase the mobility of teachers and students.

44. In the matter of freedom of establishment for the liberal professions, the Commission will continue to work towards concrete results, if necessary by submitting supplementary proposals during the first quarter of the year.

#### — Common transport policy

45. In connection with the 1974-76 work programme contained in the Communication from the Commission on the development of the common transport policy addressed to the Council on 24 October 1973—and the priorities stated therein, the Commission considers that in 1974 Community legislative action should be in two directions, namely:

- to complete the introduction of certain measures the examination of which has already been started and the content of which is compatible with the new guidelines for the common transport policy;
- to lay the foundations for action to bring into being the new guidelines of the common transport policy recommended by the Commission; to this end, the work of the Commission's departments will concern mainly the completion of the preparatory stages and the preparation of measures for proposal to the Council. Since this work is of considerable magnitude and importance, it is to be anticipated that the first proposals of the Commission will be presented gradually as from 1974. The debates on the measures designed to apply the Commission's new ideas will continue when the proposals laid down in the work programme are presented during the years 1974-76.

46. Along these two lines of action, the Commission already intends in the coming months to put forward in particular the following proposals:

- a Regulation on social matters in the field of inland water transport (first quarter);
- the renewal of existing Regulations on rates for international road haulage and on the Community quota (first quarter);
- the commencement of studies on Community action in the matter of shipping (second quarter);
- a system of forecasting haulage requirements at Community level (third quarter).

For the fulfilment of this programme, account will obviously have to be taken of the effects of measures adopted at national and Community level in order to take account of the situation arising from the energy crisis. The Commission cannot ignore the fact that this situation may have appreciable effects on the development of the action which it has recommended in the work programme established in 1973.

— **Credit and investment**

47. In 1974, support for investment in energy will be a priority among the financial reserves taken by the Commission. It is expected that in this field the grant of loans under the ECSC Treaty will substantially increase in 1974. Possibilities for the provision of finance will also have to be examined in compliance with the Euratom Treaty. In 1973, the EIB was already involved in financing several nuclear power stations.

The restrictions on energy supply necessary in most Member States may have damaging effects on various branches of the iron and steel industries. The financing of investment directly helping to cut production costs or making it easier to sell steel products will, in these circumstances, be a particularly important task for the Commission. It may be possible to provide finance for setting up steel factories in other countries for the supply of raw materials or projects designed to improve the marketing of Community produced steel. Moreover, under the ECSC Treaty, the Commission is in a position to grant loans at favourable rates to create new employment possibilities.

The financing of projects relating to environment protection and the provision of subsidized housing must be continued.

48. In order to acquire the necessary means of dealing with these responsibilities, the Commission will resort more extensively than in the past to capital markets. In this connection it must also seek new sources of income in order to deal with difficulties met in the regional distribution of loans.

Here we must not lose sight of the need to ensure the concerted use of the Community's various financial instruments. The Commission will bear in mind that the use of its own resources and any recourse to borrowing must be integrated with the general strategy of achieving the second stage of Economic and Monetary Union.

### **C. The functioning of the internal market**

49. Despite the progress already made, a true single market in which goods, services, persons and undertakings can move freely is still a long way off. In 1974, emphasis is to be placed on the elimination of technical barriers, public supplies contracts and company law. These measures come under the industrial policy programme. In addition, in the branded pharmaceutical sector, the Commission stresses the need for the Council to adopt the second directive on pharmaceutical products so that the Commission can take further action concerning the progressive achievement of free movement.

As regards customs policy, simplification of the procedures and ultimate abolition of the controls on intra-Community trade will continue to be one of the Commission's main concerns during 1974. Action in this field will be based on the report on this subject which the Commission transmitted to the Parliament on 10 August last year. There is no hiding the fact that the problems involved in completing the process of achieving free movement of goods are difficult, since their solution still depends to a great extent on progress made towards economic and monetary union.

It is to be feared moreover, that the enlargement of the Community and the incorporation of the customs union in a network of areas of free trade with the EFTA countries which did not apply for membership of the Community—objectives which were attained at the beginning of last year—will inevitably mean that customs formalities at frontiers will remain complicated for some time yet. However, the Commission is aware of the need to ensure free movement of goods within

the enlarged Community and in its relations with non-member countries, and will accord the highest priority to a substantial simplification of these formalities, in accordance with the ideas it formulated in its Communication to the Council of 25 June 1973 on the simplification of customs procedures and formalities.

#### **D. Improvement of the budget instrument and of financial control**

50. The Commission has recognized the importance of the Community budget as a central instrument of decision and management. This importance is enhanced further by the development of common policies and by the corresponding increase in the size of the Community budget. For this reason the Commission has begun a thorough reform of its budget instrument following two major principles: stricter preparation of the financial choices and tighter supervision of the way the budget is implemented.

The 1975 budget is already being prepared under the new procedure; the Commission will very shortly be laying down guidelines for the major items of revenue and operating expenditure, while also fixing the general layout of the preliminary draft budget and the pluriannual forecasts for 1975, 1976 and 1977. As regards controls, the first spot-check inspection team is now working in several Member States in close liaison with the Special Committee of Inquiry into fraudulent practices which, in its activities, is giving top priority to EAGGF intervention on the milk products market.

In 1974 the Commission intends to continue tightening up and rationalizing its financial system in the light of the results both of the reform of the budget and of the reinforcement of its supervision procedures.

#### **E. Improvement of the statistical resources indispensable to the implementation of various Community policies**

51. Hitherto, the Commission had centred its work on statistical information largely on the more traditional economic field. Admittedly, this work must be continued and even increased, in particular as regards financial and monetary statistics, for this is essential if the second stage of Economic and Monetary Union is to be carried through properly. But new horizons will be opened up, in particular in the social field (education, research and health statistics) and in the services

sector, where there is a lack of information despite the wide scope of the activities concerned. Furthermore, efforts will be made to increase the degree of coordination of the Commission's whole statistical system.

Statistics must be better harmonized, and especially by completing the integration of the new member countries into the statistical system. Regional statistics will be made as 'comparable' as possible, for the information collected varies greatly from country to country, while industrial statistics will be improved by conducting coordinated monthly, quarterly and annual surveys.

Finally, statistics will be made more quickly available to users by utilizing linked data banks of which the first, which will supply general economic information, is to become operational shortly.



#### IV. A Europe with a human face

##### — Social policy

52. 1974 will see the completion of the first stages of the Social Action Programme covering the period 1974-1976. The time-table and priority issues for this programme were decided on in the Council Regulation of 21 January 1974.

53. With regard to a number of questions the Resolution takes note of the Commission's undertaking to present proposals during the first quarter of 1974.<sup>1</sup>

In addition, during the last quarter of this year, the Commission will present the other proposals concerning the nine priority issues adopted by the Council in its Resolution in which 1974 was fixed as the deadline for these. These priorities were intended to correspond to the three broad aims adopted by the Paris Summit i.e. full and better employment, the improvement of living and working conditions, and the active participation of both sides of industry in economic and social decisions.

The following proposals are involved:

Employment: the introduction of appropriate consultation between the Member States on their employment policy and improved cooperation between the national employment agencies, the introduction of an overall programme for migrant workers from member or non-member countries, the implementation of a common vocational training policy and the creation of a European vocational

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<sup>1</sup> An initial action programme for migrant workers, a proposal on the creation of a European vocational training centre and a proposal for a directive on the harmonization of legislation relating to the retention of rights and benefits of workers where undertakings change hands, in particular in case of mergers.

training centre as well as measures for achieving equality between the sexes as regards access to employment, working conditions, training and occupational advancement.

Improvement of working and living conditions: harmonization of the social security policies in the Member States, an action programme relating to hygiene and safety at work and preparation of a programme of studies on poverty.

Increased participation: a programme to increase progressively the involvement of workers or their representatives in the life of firms and to increase the participation of both sides of industry in the Community's economic and social decisions.

Once the work on each of the proposals contained in the Resolution has been completed, the Council has undertaken to decide on each of the Commission's proposals at the latest five months after the Commission has notified it of the result of its discussions on the Opinions of the European Parliament and the Economic and Social Committee when they have been consulted. If these Institutions are not consulted by formal procedure the Council has agreed to make a decision at the latest nine months from the date on which the Commission's proposals are transmitted to the Council.

54. In addition to the proposals mentioned in the Council Resolution of 21 January 1974, the Commission intends this year to adopt a number of other measures. For example, during the first quarter of 1974 it is planned to present a draft directive on workers recruited through private employment agencies, and, during the year, to undertake studies on subjects such as a Community wages guarantee system, vocational retraining and an employment benefits system.

Naturally, in the present circumstances the threat to employment caused by inflation and the energy crisis is a matter for concern. The Commission, at the request of the Council, is preparing a report on the consequences of the fuel situation on employment and a study of the effects of inflation on wage incomes. The report will contain an assessment of the employment prospects for 1974 and will consider the possibilities for action both by individual Member States and the Community as a whole. The Commission considers that these problems should be examined in consultation with the Social Partners and this could be done within the framework of the Standing Committee on Employment.

The Commission will also continue to follow closely developments in the other fields which traditionally form part of its activities. Among these in 1974 will

be the new European Social Fund. It is planned to study the experience gained from the operation of this Fund in 1973, its first complete year of operation, and to submit a report to the Council before 1 July 1974.

— **Regional policy**

55. The Commission feels that it is most important that the Regional Development Fund and the Committee for Regional Policy be set up as soon as possible. The setting up of the Committee for Regional Policy will also imply the setting up of the development plans to be submitted by Member States for the regions contained in the list adopted by the Council, and this will involve alignment of national regional policies on general Community directives.

56. Although the Regional Development Fund is to be a basic financial instrument for meeting Community commitments on regional development, the Commission believes that it would be useful to form, alongside the Fund and not as an alternative to it, a scheme such as a Regional Development Company in which the Community would participate and whose aims would be research and information for investors, technical assistance, the possibility of acquiring temporary minority holdings in companies, in particular small and medium ones, set up in the priority regions.

Attempts in recent years to develop backward or declining regions have shown that the successful completion of such projects was as well calculated to attract sufficiently diverse investment and trigger off economic growth as was direct financial assistance. Community participation would ensure that the Company's activities were orientated towards the implementation of regional development programmes reflecting the coordinated objectives of the Community.

57. Likewise, one might envisage a European guarantee system for regional development, which could be applied in particular to loans of the Regional Development Company mentioned above so as to facilitate access by the latter to the capital market.

All these ideas were already set out in a Commission Communication to the Council dated 31 May 1972. In the new situation arising from the setting up of the Regional Development Fund, these various possibilities will now have to be examined in detail. If this examination, which the Commission proposes to carry out with the Committee for Regional Policy, produces positive results, formal proposals will be tabled.

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### — Environment policy

58. As far as Environment policy is concerned 1974 will see a number of proposals addressed to the Council in implementation of the two-year programme adopted by the Council on 19 July 1973. The Commission's proposals will be put forward in compliance with the time-table laid down for the programme and in line with the stage reached by the work within the competent departments of the Commission.

During the first quarter, therefore, the Commission will forward to the Council proposals for Directives on the sulphur content of diesel fuel and the disposal of waste oils. The Commission will also draw up a draft recommendation on the conditions governing the implementation of the 'polluter pays' principle. A preliminary summary report on the pollution and nuisance problems arising out of the generation of energy will be compiled and the final report must be ready by the end of the year. The Commission, which has taken part in the negotiations aimed at concluding a convention on the fight against pollution of the seas arising from land-based sources, will endeavour to ensure that the Community is one of the signatories of this convention.

During the second quarter the Commission will send the Council proposals on the paper and paper-pulp industry. These proposals will be followed during the fourth quarter by proposals on other industrial sectors, such as steelmaking and the production of titanium dioxide.

During the third quarter the Council will receive proposals on the quality of bathing water, and the laying-down of minimum standards for certain water pollutants and for the sulphur content of fuel oil.

Finally, during the fourth quarter, proposals will be drawn up on the assessment of the risks caused by certain pollutants and on exchanges of information between supervision and control networks. In addition, the Commission intends to put forward proposals on mineral resources, in conjunction with the comprehensive report on the problems inherent in the shortage of raw materials.

59. The Commission will not fail to take account of the energy supply crisis when drawing up all these proposals.

In view of the increased sensitivity of public opinion on environmental matters, the governments of the Member States have been increasingly constrained to take

steps at national level. The information feedback procedure set up last March will enable the Commission to keep a very close watch on developments in this area and, if need be, to put forward its own proposals.

#### — Protection of consumer interests

60. On 5 December 1973, the Commission approved the first comprehensive programme of action on consumer protection which it had drawn up in order to serve as a broad framework for the practical proposals which it will lay before the Council. At its meeting of 17 December, the Council noted this programme with keen interest and undertook to act on it as soon as possible, and in any case before the 1974 summer holidays.

In view of the complexity of the subject-matter, the Commission, when implementing this programme, will concentrate its efforts for the first three years on a limited number of priority projects.

Among these priority projects, the Commission plans to put forward during the first of these three years proposals on subjects including consumer credit, labelling and claims.

In order to have consumer interests represented on a regular and permanent basis the Commission will accord the greatest importance to the activities of the Advisory Committee for Consumers, the setting-up of which was decided on in September 1973 and which includes representatives of the various European consumer organizations.

#### — Information policy

61. In order to make the public more aware of the Community's activities, the Commission will avail itself to a greater extent of the mass media, while bearing in mind that special attention must be paid to political circles, unions, young people and teachers. For a definite impression to be made on the daily lives of all these sectors of the public, the Commission feels that the time has come to focus on greater decentralization of its public relations activities. It will therefore examine the best ways of doing this: whether by setting up subsidiaries to the existing public relations offices in the countries of the Community, the use of mobile teams

based on existing offices, or by stepping up regional activities already under way. All these initiatives will be further boosted by the even greater use of the distribution organizations, with which the Commission collaborates closely. These activities would take the form of increased cooperation with the information services of the Member States and of even closer collaboration with the competent departments of the other Community Institutions.

In order to guide, appraise and direct its public relations activities, the Commission will develop its information feedback system by taking advantage of the possibilities offered by press and public relations offices wherever they exist and by making more use of opinion polls.

In addition to the priorities thus accorded to public relations inside the Community, it will be necessary to continue and step up public relations activities in non-member countries.

The Commission will also increase its daily contacts with the press, radio and television, since the ever-growing staff from these organizations at the Institutions' headquarters afford sufficient evidence of the interest aroused by Community affairs in the world's press organizations, and consequently in the mind of the public at large.