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COMMON POLICY FOR SCIENCE AND TECHNOLOGY

IMPACT OF COMMUNITY R&D ON HORIZONTAL POLICIES

(Report by the Commission to the Council)

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i

7

COMMON POLICY FOR SCIENCE AND TECHNOLOGY : IMPACT OF COMMUNITY R&D
ON HORIZONTAL POLICIES

Communication to the Council in response to its request of 20th
December 1979

- COMMUNICATION
- REPORT

INTRODUCTION

I. REGIONAL POLICY

- The present situation at the level of the Community
- R&D and Regional Policy in the Member States
- Community R&D in aid of regional development - A programme of action

II. SMALL AND MEDIUM-SIZED ENTREPRISES

- Impact of Community R&D - current situation
- R&D action already in hand
- The possibility of a Community Promotional Policy in favour of R&D in, and for the benefit of small and medium-sized enterprises

III. DEVELOPING COUNTRIES

- Impact of Community R&D - present position
- The situation within the Member States
- UNCSTD, the "Vienna Programme" and the increasing awareness in the developing countries of the role of science and technology
- Proposals for action in the field of a Community Programme for R&D for the benefit of developing countries
- The proposed PVD R&D programme

11

COMMON POLICY FOR SCIENCE AND TECHNOLOGY -
IMPACT OF COMMUNITY R&D ON HORIZONTAL POLICIES

Communication to the Council in response
to its request of 20th December 1979

The attached report gives the Commission's reply to the Council's request (619th Council meeting (Research) on 20th December 1979) "to assess the possible impact of Community R&D on horizontal policies (such as regional policy, future structural economic and industrial policies with particular reference to small and medium-sized industries, and policies of aid to developing countries)".

The report shows that current R&D programmes make only an indirect impact on such horizontal policies and explains why this is so. It indicates possible lines of action which could result in a more direct impact.

In the case of regional development, the report sets out a series of actions, some within the framework of the Common R&D policy and some within the framework of the Community's regional policy on which the Commission might, at the appropriate time, make new proposals to the Council.

In the case of small and medium-sized enterprises, the report suggests that the Community should adopt a prudent attitude in respect of specific promotional measures in favour of R&D for small and medium-sized enterprises. It indicates that other measures related to encouragement for SMEs and for technological innovation may have an important effect on stimulating R&D for the benefit of small and medium-sized enterprises.

In the case of R&D for the benefit of developing countries, the report shows that work already going on for the benefit of the Community in fields such as natural resources and alternative energy resources could be developed and adapted to help meet the needs of developing countries.

In other areas, however, notably those of tropical agriculture and post-harvest technology and tropical medicine, there is an urgent need for a programme of R&D intended to benefit the developing countries while co-ordinating and supporting the R&D effort in the Member States. The Commission intends to submit a further communication to the Council, proposing a specific programme for this purpose in the near future.

The report also points out the contribution which the FAST-programme is expected to make to the future direction of economic, social, regional and industrial policies.

The Council is invited to take note of this communication and the proposals of the Commission contained within the attached report in response to its request of 20th December 1979.

- 4 -

COMMON POLICY FOR SCIENCE AND TECHNOLOGY
Impact of Community R&D on horizontal policies
Report by the Commission to the Council

INTRODUCTION

1. In the course of its discussion at the Council held in Luxemburg on the 21st October 1979, the Council asked the Commission "to assess the possible impact of Community R&D on horizontal policies (such as regional policy, future structural economic and industrial policies with particular reference to small and medium-sized industries, and policies of aid to developing countries)". (Conclusions agreed at 619th Council Meeting Research on 20th December 1979).
2. The Commission has accordingly undertaken an assessment of the impact of its current R&D programmes on the policies in the three fields mentioned. It has, furthermore, made a preliminary examination of the possible impact which Community R&D might make if new decisions were taken and new programmes started.
3. Studies in these three fields have made it clear that current R&D programmes make only an indirect impact on regional policy, policy to favour small and medium-sized industries and policies of aid to developing countries. The same point applies also to more general horizontal policies including economic policy and industrial policy.
4. From the beginning of the common policy in science and technology in 1974, Community R&D programmes were conceived to support various Community sectoral policies e.g. environment, energy and raw materials and not with

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the purpose of supporting regional development or small and medium-sized enterprises or other horizontal policies. It is not surprising, therefore, that the impact of Community R&D on horizontal policies has been only an indirect one. That indirect impact may well be substantial in the future. Most of the R&D work undertaken by the Commission is, however, long-term in character and it is too early to expect to see the indirect impact, that may ultimately be important for economic and industrial policies, for example,

- of the environment research programme in terms of legislation and its impact on industry,
- of the energy programme in the field of new sources of energy which could be applied in developing countries and which would use novel equipment manufactured by European industry and exported or
- of the raw materials programme which could reduce European dependence on overseas sources and affect industry by encouraging the widespread use of recycled or substitute materials.

5. In this context mention should also be made of the FAST programme - a Community indirect action R&D programme. It is hoped that a major part of the results of the FAST programme could be of direct relevance to the future direction of economic, social, regional and industrial policies at the Community level. But that too is very much in the future.
6. The remainder of this report is, accordingly, devoted to the three specific policy fields singled out by the Council and examines further why current R&D programmes make only an indirect impact on them and suggests possible future action with a view to a positive and more direct impact where appropriate.

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I. REGIONAL POLICY

The present situation at the level of the Community

7. The first level at which the regional impact of Community R&D needs consideration is that of the contracts themselves placed under Community R&D programmes. The procedures for awarding individual research contracts arising from Community R&D programmes were designed from the start to enable the Community to benefit to the maximum degree possible from the scientific and technological results likely to be obtained from the leading practitioners in the field concerned. The programmes were, moreover, as pointed out above, all conceived to support various Community sectoral policies and not with the purpose of aiding regional development. It is also a fact that a high proportion of Universities and consequently of the centres of research and also of other non-University-based scientific research institutions are in the central regions of the Community. The result of these factors is that a high proportion of the research contracts placed under the common policy go to institutions in the prosperous regions and that the less-prosperous regions receive only a small minority of the contracts placed.
8. There are, of course, a number of research institutions of the highest standing in the less-prosperous regions. In most Community countries however, the less-prosperous regions are less densely populated than the prosperous regions with, consequently, fewer Universities and fewer research institutes. It is a natural consequence of that situation that relatively few research programmes come from such regions. In some Community countries where the regional problems arise, in the main, from the decline of older industries, there are important research organisations, e.g. in Edinburgh and Glasgow and Nancy. These regions receive many Community R&D contracts.
9. Furthermore, there is a degree of specialisation among research organisations and many of those in the less-prosperous regions specialize in fields such as agriculture where Community R&D expenditure is relatively small. The fields in which are carried out the major new indirect action programmes of recent years such as Energy, Environment, Raw Materials, etc., are fields where the major institutions are for the most part in the prosperous regions. There is also the point that many of the research institutions connected with Universities in less-prosperous regions, while including excellent

scientists, are subcritical in size and suffer from the distance between them and other research organisations and the administrative centres of the Member States.

10. Given these circumstances, it appears that research institutions in the less-prosperous regions of the Member States receive a fair proportion of contracts under Community R&D programmes in relation to their number and their scientific specialisation; but the quantity of research work that this represents makes little clear and direct impact on the economic development of the less-prosperous regions.
11. Apart from regionally-oriented research carried out in the regions, the R&D institutions in the central regions of the Community also make a major contribution to the economic development of the less-developed regions. For example, a great deal of the agricultural research which provides major scientific support to many of the poorer regions of the Community is in fact carried out in research organisations located in the central regions. It is, consequently, clear that R&D in relation to regional policy has two aspects :
 - the creation and support of R&D facilities, infrastructure, investment with an R&D content and research projects within the less-developed regions themselves and
 - R&D carried out anywhere which can contribute to regional objectives.

R&D and Regional Policy in the Member States

12. Scientific activities generally are more concentrated in the central areas of our Member States than in the less-developed regions. The degree of concentration nevertheless varies from country to country. There has recently developed a growing awareness that R&D has a contribution to make to regional development. For example, there is a new Italian law setting up research institutes in the Mezzo-Giorno to work in three main areas - water, agriculture and industry. This relates to the need, now widely appreciated, to relate the R&D in a region to its special requirements. In Ireland, the Government has promoted R&D work in the peripheral regions and the opening in the Summer of 1980 of an innovation center on the campus of the Limerick based National Institute for Higher Education marks a further step in this direction. There are,

moreover, a number of other projects already going ahead or planned in Ireland with similar objectives. In the United Kingdom, major efforts are being made to develop scientific institutions in Scotland, particularly in the fields of information technologies and micro-electronics.

13. These examples of the promotion of R&D in the less-developed regions of the Community are related to the link now perceived as of high importance between research facilities and indigenous manufacturing facilities. An effort is being made to make use of the natural resources of particular regions, to encourage entrepreneurship locally and to forge links between the academic world and the workshop, between the workshop and the market-place. In the past, industrial development in the regions in many Member States has been stimulated by encouraging the movement to the regions of branch production plants. Factories are thus set up in the regions while the management and the R&D facilities remain in the prosperous areas. The danger in this policy may now be seen. Under conditions of economic stress, it is these plants which are the first and easiest to reduce in size or close. The inclusion of R&D facilities whether within the plants themselves or in regional research institutions should help towards making regions more self-sufficient; this should encourage the establishment of firmly based industry as well-suited to withstand the stresses of economic difficulty as the industries of the central regions. But these are matters for the Member States and it is not considered that there is, at least at the present time, any action which the Community itself should take in this regard.

Community R&D in aid of regional development - A programme of action

14. Existing Community R&D programmes could be used more than at present to undertake research of particular interest to less-prosperous regions by identifying research within the programmes with a specific regional development interest. Suitable programmes include energy (e.g. economies of energy, renewable energy sources, synthetic and substitute fuels), environment (e.g. water pollution), agriculture (including forestry), and the new programme of fishery research at present before the Council.
15. Additionally, it would be possible to extend the existing programmes by introducing research objectives of particular regional interest into both

research and demonstration projects. This could be arranged at the time when programmes are revised or when follow-up programmes are developed.

16. Beyond the current programmes, it will be necessary to engage in studies with a view to identifying specific new R&D areas which are not at present covered. The studies will need to be carried out with the assistance of appropriate authorities in the Member States. In the light of the results of these studies, the Commission will consider presenting specific new R&D proposals in appropriate sectors which have a regional interest but where there are at present no common R&D policy programmes.
Proposals for R&D to be carried out in the less prosperous regions will need to be related to the resources and skills available there as well as to general topics such as the promotion of tourism.
17. For all such activities which involve the placing of R&D contracts,
an additional benefit to the less-prosperous regions would result if there
were an increase in the proportion of R&D contracts awarded to centres and institutions located in the less-prosperous regions. Contracts to support such objectives however, need not necessarily be carried out exclusively by research organisations within the less-prosperous regions. Institutes within the prosperous regions, working for the needs of the less prosperous might frequently be the most suitable; they could, however, work in close co-operation with institutes situated in the less prosperous regions. Although the major effort in this direction would need to be taken within the framework of indirect action programmes, other instruments of the Community R&D policy could, when appropriate, also be employed including demonstration projects, studies and contribution by laboratories in the less prosperous regions to concerted action projects. This would introduce a positive relationship between regional policy and not only the Community R&D policy but the related sectoral policies, e.g. energy, industry, agriculture and environment.
18. All new activities especially applied or designed for the benefit of the less prosperous regions will require an increase in the funds available for programmes carried out within the framework of the Community R&D policy. This would be consistent with the mandate of the Council whose spirit is to broaden the objectives of the Community's R&D programmes and

policy to include also other objectives such as regional development. The priorities of the Council should nevertheless not be disturbed by the addition of the regional dimension and the Council will need to add appropriately to the financial resources required to meet those priorities if specific regional objectives are to be added.

19. In order to apply science and technology to the full in the less prosperous regions, it will be necessary also to reinforce the existing scientific and technological infrastructure and to create new infrastructure. It may furthermore be necessary to support new investments in the less prosperous regions which have an R&D content. There may also be a need for pilot R&D projects in the less prosperous regions. Such actions may appropriately be considered within the framework of existing regional policy and Community support would be by way of granting financial support to such projects from the Regional Development Fund - quota or non-quota section as appropriate.

20. Accordingly, in respect of regional development, the Commission proposes a progressive implementation of a policy intended to orientate R&D towards the less prosperous regions. This can only be done if additional finance is made available. The Commission will examine the possibility of making new proposals to the Council at the appropriate time, which would be aimed at :

1. Introducing research and development activities with an interest for the less prosperous regions into R&D programmes currently carried out on the basis of Community R&D policy.
2. Introducing new R&D objectives of regional interest into the Common R&D policy.
3. Launching studies to define needs, identify suitable new areas of R&D and review priorities in the less prosperous regions to implement 1 and 2.

4. Awarding systematically R&D contracts specifically orientated to the use of regional resources to research centres and institutions located in the less prosperous regions where the quality of the research proposals warrants such action.
5. Carrying out R&D pilot projects in the less prosperous regions, supporting investment with an R&D content and granting financial support for the creation or strengthening of scientific and technological infrastructure within the framework of regional policy activities.

Such action would not only respond to the Council's request of 20 December 1979 but would also be in line with the Council resolution of 6 February 1979 (J.O.C 36 of 9 February 1979, page 10) which re-iterated the need for "an assessment of the regional impact of Community action".

II. SMALL AND MEDIUM-SIZED ENTREPRISES

Impact of Community R&D - current situation

21. The particular advantages of small and medium-sized enterprises are well-known and appreciated by the Commission. SMEs are often entrepreneurial, highly innovatory and are often the first enterprises to use new technologies. For these reasons, the Commission pays particular attention to research proposals which come from SMEs and is frequently prepared to place contracts with them because of the originality of the proposals received.
22. Yet only a small proportion of the research proposals come from SME's and, as a consequence, only a small proportion by value of our research contracts is placed with them. In respect of the indirect action programmes (particularly the energy and environment programmes which have been going for some considerable time) the percentage of contracts placed with small and medium-sized enterprises amounts to about 10 %. For the newer programmes, it is anticipated that the proportion of contracts in the fields of raw materials, substitution of materials, biology and cer-

tain nuclear programmes may be somewhat higher than the figure at present attained in the fields of energy and environment. But it will not under present arrangements ever be a very high proportion, i.e. enough to make a major contribution towards a policy of support for small and medium-sized enterprises.

23. The reasons why SMEs do not submit a large number of research proposals are threefold :

- a) SMEs are so busy developing their own business that they frequently do not have time to find out what is going on and certainly do not have time to read the Official Journal in which is published the invitations to submit proposals. Moreover, whereas larger enterprises are in constant touch with government departments and members of advisory committees on program management in their fields of action, the small and medium-sized enterprises do not have the effort to put into the constant cultivation of officials and advisers that this entails.
- b) SMEs are rarely geared to do contract research work. Their research facilities may be well-equipped but they are intimately related to the purpose for which the SME was set up, i.e. the development of a particular new product and the further R&D necessary to keep at the forefront of a market which it is seeking to develop. Under such circumstances there is unlikely to be spare capacity for research on work in other fields. Rarely, the research facilities are particularly suited to scientific work which the Commission is seeking to have done. They provide the cases where the SMEs are able to put in first class research proposals which in fact receive contracts. It should be noted here that many SMEs in some Community countries make use of co-operative or collective research arrangements where research is carried out in the laboratories of Research Associations on behalf of a number of SMEs. Such R.A.s receive many R&D contracts from the Commission and such work indirectly benefits the SMEs. But the SMEs themselves do not, under these circumstances, receive contracts.
- c) Most SMEs are, in any case, not research-orientated. They are frequently technologically based but they build on the knowledge of one man or a group of men or on research done by others. They are not in the business of doing research - they are in the business of applying research to industrial innovation and production.

R&D Action already in hand

24. The Community textile and clothing industries are largely industries of small and medium-sized enterprises. A first programme of research from which these industries could benefit has been completed and a second programme has been proposed by the Commission. Furthermore, the programme of research on clothing and footwear adopted by the Council on 14th February 1977 is underway. An assessment will be attempted, in due course, of the value to SMEs of these programmes. The Commission has, in addition, proposed putting into action certain activities related to the technology of clay minerals and ceramics, another industrial sector made up, to a great degree, by SMEs.
25. Certain community programmes involving financial support for demonstration projects in the field of energy and certain research programmes related to alternative energy sources are going ahead at the present time and small and medium-sized enterprises should be able to benefit particularly from the results of this work.
26. Other community activities, relation to R&D and innovation, of particular relevance to SMEs include action intended to help the access of SMEs to information and certain aspects of the analytical work now proceeding within the Commission concerning industrial innovation.

The possibility of a Community Promotional Policy in favour of R&D in, and for the benefit of small and medium-sized enterprises

27. All member countries of the Community have devoted considerable effort in recent years to dealing with the problem of small and medium-sized enterprises. Well over a hundred measures and institutions devoted to promotional R&D for the benefit of small and medium-sized companies have been listed.

28. The characteristics of small and medium-sized enterprises vary very much from country to country within the Community. It is at least arguable that major efforts being made on a national basis, while perhaps needing a degree of consultation and standardization, are nevertheless sufficient to deal with the problem. Specific Community measures for support of R&D for small and medium-sized enterprises need to be considered very critically and carefully in the light of the experience within the Member States. The Community should certainly not compete with the national promotion measures and should limit itself to coordination and harmonization at the various levels.
29. The Commission accordingly considers that the Community must adopt a prudent attitude in respect of specific promotional measures in favour of R&D for small and medium-sized enterprises. It would be most appropriate to incorporate such promotion within the general framework of programmes, existing or future, of research development or demonstration projects and try to increase the participation of small and medium-sized enterprises within these programmes. In order to do this, means would have to be provided to identify proposals coming from small and medium-sized enterprises and it will be necessary in addition for the Member States to conduct particular campaigns of publicity amongst small and medium-sized enterprises to bring to their attention programmes for which their proposals might be considered. If more research programmes come forward from SMEs, the Commission is already sufficiently aware of their likely merits to give special attention to them. Many SMEs, however, rely on centres of collective research to carry out their research for them on a cooperative basis.
30. Apart from co-operation between centres of collective research, there is also the question of intra-community co-operation in R&D between the SMEs themselves. The Commission will study this question further to see whether it would be appropriate to consider measures intended specifically to stimulate such co-operation, particularly among new technology-based firms which often have suitable research facilities.

31. Another measure currently under study could be of help incidentally to R&D in SMEs. This is concerned with the provision of risk-capital on a Community-wide basis as a stimulus to innovation in SMEs. This could assist in the application of R&D in SMEs although, of course, the R&D in question could be R&D carried out anywhere not only within the framework of Community programmes.

III. DEVELOPING COUNTRIES

Impact of Community R&D - present position

32. All current R&D programmes are conceived and managed in the interest of the Community. Whether that interest be related to the economic development of the Community alone or whether there be other interests such as consumer protection, the protection of environment or social benefits, it is the benefit of the people of the Community that is the first and the last consideration. Accordingly, nowhere in current R&D programmes are there to be found projects or items of research conceived of as especially intended for the benefit of developing countries. On the other hand, certain Community R&D activities may, incidentally, provide benefits for developing countries.

This is not because they are designed to do so but because the science and technology which emerges from the activities is of a kind which has wide applications and which could be directed to the assistance of developing countries if further financial resources were made available. R&D of this type is to be found within Community research programmes in the fields of new forms of energy, primary raw materials, medical research and to a more limited degree, in other programmes. Moreover, the new programme of research on fisheries which the Commission has recently proposed to the Council includes areas which are of sufficiently general application to be of interest to developing countries. (These remarks relate to R&D programmes under the Common R&D Policy. Those R&D programmes and projects financed by funds under the Common Development Policy (EDF, Maghreb and Mashrak agreements and the funds of non-associated countries) are, of course, shaped to the needs of the developing countries concerned). In addition, a programme of work at the Joint Research Centre (9 officials) is devoted to R&D for development.

The situation within the Member States

33. Some Member States have no research programmes aimed at benefiting developing countries. But most Member States and, in particular, those with historical or close commercial relations with particular countries in the developing world, have institutions or research programmes which are very much directed towards the needs of the developing countries.
34. In most cases, these institutions and programmes are now at a level lower than they were in the past. As the process of de-colonization has continued, it has been assumed that newly independent states will gradually take on for themselves functions which in the past were carried out by colonial powers. Under the pressures of the budgetary constraints applying to the research programmes in most member states, this process tends to accelerate. Yet the developing countries themselves are, for the most part, not yet in the position to replace the high-quality scientific effort in the member states with new science and technology institutions in their own countries. It would now appear to be particularly appropriate that the Community should take on the function of reinforcing the research programmes in the member states for the benefit of the developing countries and particularly for those with which the Community has agreements. Such activities need to be clearly distinguished from those of building up scientific effort and scientific institutions in the developing countries themselves. Such activities are within the field of the European Development Fund or of the arrangements for cooperation with developing countries under the agreements with the Magreb, Mashrak, ASEAN countries, etc. A community programme in this field should, therefore, not compete with research carried out within the developing countries and should complement the Member States' existing effort for the benefit of developing countries.

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UNCSTD, the "Vienna Programme" and the increasing awareness in the developing countries of the role of science and technology

35. Now would be a particularly appropriate time for considering special measures to assist the scientific effort in the member states for the benefit of developing countries, because of the increasing awareness the developing countries have now arrived at in respect of the role that science and technology can play in the process of their economic and social development. This approach dominated the discussions of the second UNCSTD and influenced largely the final consensus, the "Vienna Programme" as adopted by the United Nations general assembly in its resolution 34/218 of January 23rd 1980. The "Vienna Programme" has defined three main lines of cooperation between the developed and the developing countries :
- to place at the disposal of the international community the results of the R&D activities obtained by the rich countries,
 - to increase sharply the research effort the industrialized countries devoted to the solution of priority scientific problems of the developing countries,
 - to assist the developing countries in the formation of their own scientific potential and the training of their scientists and technicians.
36. All of these three main lines of cooperation need consideration at Community level; the second of them, in particular, with its emphasis on the request to the industrialised countries to increase sharply the research effort devoted to science for the benefit of developing countries should be heeded. It is the view of the Commission that a Community programme to reinforce the national efforts would be seen by the developing countries as a major political step in the right direction. The Community's current R&D programmes, which, with the exception of a modest contribution by the Joint Research Centre, make little or negligible direct impact on the policy of aid to developing countries, need to be supplemented by R&D work at the Community level, carried out through an indirect action programme, intended specifically to benefit developing countries.

Proposals for action in the field of a Community Program for R&D for the benefit of developing countries

37. A study carried out in the framework of CREST by an ad hoc group CREST/PVD (*) led to the identification of a number of sectors that might benefit from Community action in support of the activities in the member states for the benefit of developing countries. The sectors identified were :
- tropical agriculture and post-harvest technology,
 - tropical medicine including nutrition,
 - natural resources,
 - alternative energies,
 - training and infrastructure.
38. After further consulting experts, the Commission has now started to prepare a proposal for a programme to support R&D in the Member States with the aims of :
- Strengthening considerably the existing potential in the Member States for science and technology cooperation in order to be able to deal with the increasing demand in a bilateral or a Community framework,
 - Furthering the work carried out cooperatively among scientists in the member states and enabling various developing countries to take advantage of research carried out in particular member states with the initial view of benefiting other developing countries.
 - Contributing to a better understanding by the scientific community in the Member States of the importance of the problems of the developing countries and their priorities with a view to encouraging a better transfer of scientific results to the problems of development,
 - Making easier the introduction of developing country aspects to R&D programmes carried out within the Community primarily for the benefit of the Community itself.

(*) Scientific and technical cooperation with the developing countries - CREST/56/77

The proposed PVD R&D programme

39. In the first instance, a limited R&D programme is proposed. It will include tropical agriculture and post-harvest technology, tropical medicine (including nutrition) and training and infrastructure aspects related to these fields. An increase of effort in these fields in the member countries is urgent since after the period of de-colonization major expertise has been lost in the member states. These fields are of paramount importance for the developing countries in order to fight hunger and disease and to assist the developing countries to a higher standard of living and to a greater degree of independence. The problems in these fields which have been identified for urgent priority action are very specific to the developing countries so that results of R&D intended to solve developed countries' problems are not transferable or indeed frequently not at all relevant.
40. The proposed program does not include work in other important areas such as natural resources and alternative energy resources. This is because work in these fields already going on for the benefit of the Community could be developed more readily and adapted to the needs of the developing countries without introducing totally new programmes. It is true that the existing R&D programmes in these fields are primarily orientated to the needs of the Member States and treat the aspects of importance for the developing countries only marginally. The Commission therefore proposes in due course to develop proposals for modifications to these programmes to make them more applicable to the problems of developing countries. In addition, a study has been carried out with a view to the possibility of a Community programme intended to encourage the development by research organisations in the Member States of "appropriate technologies" for the developing world. Further studies will now be needed with a view to identifying priority areas. At their conclusion, the Commission will consider proposing an appropriate programme to the Council. Such a programme could result not only in benefit to the developing countries but also in improved access of our industries to the big potential markets of the developing world.

41. Full details of the proposal together with a full technical justification for the themes proposed will be found in a further communication to the Council which the Commission intends to submit shortly. The programme will endeavour to identify research areas which can assist in co-ordinating activities within the Member States. It will include research areas where substantial expertise exists in the Member States, taking fully into account the activities of the major international organisations in the field such as World Health Organisation and the Food and Agriculture Organisation in order to avoid duplication. The priorities of the proposed programme will be fully in accord with the Community's development policy and its implementation will be in line with the activities under the Community's co-operation agreements.