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THE COMMUNITY'S INDUSTRIAL
AND TECHNOLOGICAL
POLICY PROGRAMME

The establishment of a European industrial basis, which presupposes the existence of a single market operating like a national market in which people, goods, services and companies circulate freely, is one of the main aspects of the achievement of economic and monetary union.

This was particularly stressed at the Summit Conference of Heads of State and Government held in Paris last October, which assigned the Community an ambitious working programme and a definite timetable (see IRT No. 162). In the context of this brief, the European Commission recently adopted an industrial and technological policy programme which it will forward to the Council of Ministers.

A changing society

The development of industry must henceforth form part of an overall policy for society, striving to improve the quality of life, working conditions and the environment. In this context, development must be directed more towards satisfying collective needs and attenuating

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The information and articles published in this Bulletin concern European scientific cooperation and industrial development in Europe. Hence they are not simply confined to reports on the decisions or views of the Commission of the European Communities, but cover the whole field of questions discussed in the different circles concerned.

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and ultimately resorbing regional imbalances in the Community. This will require the harmonious development of the Community's backward regions and the decongestion of regions which are over-industrialized.

A common industrial policy must go not only for full employment but also, and particularly, for better employment. To this end, Community industry must still aim for balanced growth and be capable of reaching a high degree of competitiveness, both at home and abroad. By enabling public funds to be put to better uses, it will also help in the fight against the widespread inflation found in all the member countries.

In achieving these objectives, the public authorities come up against numerous and sometimes contradictory reactions. The Community's industrial policy should take into account the aims of liberalizing world trade and industrializing the developing countries; it should not, therefore, be aimed at maintaining the old structures but, instead, at facilitating essential changes. Furthermore, this evolution has to take place in an increasingly complex social climate in which the workers and their trade unions are called upon to play an ever-growing role not only in the field of employment and wage levels, but also as regards working conditions and participation in management and in the economic options open to firms.

Only a Community industrial policy will prevent the magnitude of the changes taking place from jeopardizing, by reorganization on an exclusively national scale, the benefits accruing from the establishment of the Common Market.

Since the essential aim of the Community is to preserve and enrich the fertile pluralism of our society within a framework of growing union, the Community's industrial policy cannot and must not be considered as a single policy administered by the Community institutions. It is,

and will continue to be, based on free enterprise, on agreements freely concluded between workers' and employers' organizations, and on programmes carried out by regional and national public authorities.

Nevertheless, it is essential that joint action be decided upon within the Community institutions to ensure that, in the context of an overall, and not merely sectoral, balance, all the Member States receive the maximum advantages that membership of the Community can bring for their economic and social development.

Several levels of decisions

The first moves towards establishing a European industrial base will be concerned with creating legal and fiscal frameworks to ensure that European firms benefit from the dimension of the common market. In addition, technical barriers to trade must be removed, the barriers still impeding the harmonization and concentration of firms must be eliminated, the European company status created and gradual but effective steps taken to ensure that public contracts are open to all bidders (see IRT Nos. 139, 155, 161).

This series of initiatives are at different decision-making levels:

- in order to develop a framework for approximating, harmonizing and aligning national industrial policies, the Commission will take appropriate steps to establish the necessary contacts between the competent national departments;
- the Commission will continue its regular scrutiny of aids and will propose, if and when necessary, a Community framework for them, taking regional development requirements into due consideration.

- in order to encourage the development of stronger and more competitive European undertakings, with due regard to the rules of competition, the Commission will make the requisite approaches to firms, both sides of industry and the financial institutions concerned so as to help them to help themselves;
- the Commission considers it necessary to introduce Community subsidies for certain ventures of technological interest to the Community and the beneficiary firms;
- the implementation of specific policies in certain sectors faced with special problems will call for complex measures: sectoral proposals drawn up by the Commission after approaching all the parties concerned; the adoption of directives and, where necessary, the allocation of funds by the Council; concertation among States, etc.

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In the next few years, Community action to encourage a common industrial policy will operate primarily in the following fields:

I. Elimination of obstacles to trade

The elimination of technical barriers to trade is essential to the effective free movement of goods throughout the Common Market. The European Commission proposes that all the directives provided for in the general programme of elimination of technical barriers, adopted by the Council of Ministers in 1969, and in the supplement thereto forwarded by the Commission to the Council in 1972 (see IRT No. 139), should be adopted before the end of 1977. To achieve this, Community procedure will have to be considerably simplified and speeded up.

The Commission will endeavour to double as from 1974 the number of proposals for directives sent yearly to the Council of Ministers, thus bringing the number up to about 25. It will lay special emphasis on the sectors particularly concerned in the liberalization of trade, consumer protection and conservation of the environment.

The free movement of branded pharmaceuticals, as yet virtually non-existent, must also be ensured.

The Commission will adopt a flexible approach in its search for solutions which it can propose for the approximation of laws, provided that noxious or dangerous products are not involved. It will also introduce systematically into its proposals the flexible and speedy procedure of "adaptation to technical progress" provided for in the Resolution adopted by the Council in 1969, to enable Directives already adopted to be amended in the light of new technical developments.

Lastly, the Commission will very shortly send the Council a report on the barriers to trade arising out of the procedures and inspections imposed by the Member States on internal trade.

II. The gradual and effective extension of the right to tender for public and semi-public supply contracts in the Community

Purchases in the public and allied sectors in each Community country attain, with certain very rare exceptions, an extremely low level (of the order of 5%) whereas, in the private sector, intra-Community trade is growing at a satisfactory rate. This is particularly detrimental as public purchases represent an increasing proportion of the industrial outlets.

The Commission requests the Council of Ministers to adopt before the end of the year the proposal for a directive coordinating the procedures

for the award of public supply contracts, which was submitted by the Commission to the Council in March 1971 and which contains rules governing publication, the selection of candidates and the award of contracts and provides for the setting-up of a consultative Committee to investigate the implementation of the directive. The information collected will enable the Commission to ensure that Community law is complied with. Furthermore, the Commission proposes to extend liberalization to public undertakings and to undertakings in the public service (air and rail transport, telecommunications, electricals and nuclear sectors, etc.) (see IRT No. 155). It will also encourage the setting-up of joint companies to coordinate R&D activities and equipment purchasing policies in the public services sector where it would be desirable to establish a joint European network, for instance, in the case of railways or telecommunications.

The Commission action based on the rules of the Treaty would have to be supplemented by measures aimed at obtaining perfect market transparency, changing the habits of public purchasers, and encouraging regular contact between large public buyers and producers in order to stimulate the search for solutions on the European scale.

The Commission intends to bring to light current practices in the field of public supply contracts. Apart from the measures which it considers should be undertaken to put an end to unsatisfactory or irregular situations brought to its notice in the course of its work, the Commission reserves its right to publish its findings at regular intervals and to lay them before the European Parliament for discussion.

Lastly, the Commission requests the Member States to introduce the necessary machinery to enable it to be regularly supplied with precise statistical data on public and semi-public purchases.

III. The promotion of competitive undertakings on a European scale

The industrial policy and the competition policy pursued by the Commission complement each other closely: both are aimed at increasing the efficiency of Community industry through structural improvements and the stimulation of competition.

The setting-up of trans-national European undertakings can increase competition rather than diminish it. The only alternative to trans-national groupings would be combinations at a national level, leading to competition between firms which are supported in various ways by their respective governments and which are often unable to operate at a profit. Trans-national groupings, on the other hand, offer the possibility of combining effective competition and economies of scale.

At the same time, it is necessary to provide for a more systematic supervision of combinations of a certain magnitude in order to ensure that effective competition is maintained within the Common Market. Thus, provision should be made for prior notification of combinations of a certain size.

In order to promote the integration of industrial structures, the elimination of legal and fiscal obstacles is necessary. The Commission has therefore submitted a certain number of proposals for directives aimed at the approximation of company law in the Member States, and concerning the formation, capital and internal mergers of public limited liability companies, (sociétés anonymes) the annual accounts of limited liability companies and the structure of the organs of public limited liability companies (see IRT No. 161), which should be adopted by the Council as soon as possible. In addition, in 1974 it will propose a directive on law in regard to groups of companies and, in 1975, another on consolidated balance sheets. It will also undertake the

preparatory work on the harmonization of the laws governing private limited liability companies, cooperatives and partnerships.

Two proposals for directives on the taxation applicable to companies situated in the various Member States were also forwarded by the Commission in January 1969 to the Council of Ministers, who should come to a decision this year. The Commission will shortly submit supplementary proposals, particularly on taxation of dividends and interest on bonds.

At the same time, it is essential to have new legal forms which allow closer regroupings of interests and are governed solely by Community law. The Commission proposed the institution of a European company which would make international mergers of companies and the creation of holding companies and joint subsidiaries possible. This proposal - like that concerning the structure of public limited liability companies - provides that the workers will be kept informed of the firm's operations and development and will take part in the decision-making process in accordance with appropriate procedures - provisions considered highly important by the Commission.

In the course of the year the Commission will forward to the Council a proposal concerning the setting-up of a "European Cooperation Group", with a view to encouraging undertakings of all sizes, regardless of their legal form, to work jointly according to extremely flexible procedures.

Lastly, the Council must act quickly on the Commission's proposal for the widening of the scope of the Joint Undertaking in non-nuclear fields, in view of the opportunity that this status offers for facilitating cooperation between firms responsible for providing a public service or called upon to undertake major activities of common European interest in the field of technological development (see IRT No. 112).

As regards industrial property, two agreements, one introducing a standard procedure for the granting of European patents, the other regulating the effects of patents granted for the Member States of the Community only, have been drawn up on the initiative of the Commission and should be ratified by 1976 at the latest.

As to collaboration between undertakings, a decision must be taken quickly on the Commission's proposal relating to the setting-up of Community development contracts intended to support innovations made by firms as a result of trans-national collaboration. Meanwhile, the Commission has set up a business cooperation centre for companies of the various Member States.

The Commission also intends to encourage the setting-up of a true European capital market. It will promote the collaboration of the national financial institutions which, in our countries, provide capital for industry (FCI, IMI, Kreditanstalt für Wiederaufbau, etc.), and the collaboration of national institutions financing by risk capital, with a view to establishing common financial machinery for boosting trans-frontier industrial cooperation.

IV. Sectors with special problems: Advanced technology industries and industries in crisis

Certain industrial sectors require particular attention, either because they are in crisis or because restructuring at the European level is vitally necessary to them.

The Commission has already presented, or shortly will present to the Council its proposals for sectors including the aircraft industry, data processing, heavy mechanical and electrical engineering, uranium enrichment, shipbuilding, textiles and paper. These proposals have been or, of course, will be, amply discussed with the different economic and social interests concerned.

Furthermore, there is a group of sectors - heavy capital goods - which have a common problem: here it is necessary to prevent economic difficulties. The Commission will try to arrange a better flow of information, in close collaboration with employers and unions, while naturally ensuring respect for the principles of competition and of the freedom of decision of the firms concerned. Early information on investments may facilitate coordination at Community level and a more rational utilization of public financial aid, both sectoral and regional.

Finally, a resources policy is necessary in order to ensure that the Community's industrial development is not impeded by shortages of raw materials. In order to be able to take action in good time, the Commission intends to make a systematic study of the Community's future needs. As a first practical step it will make proposals this year concerning a certain number of non-ferrous metals.

Paradoxically enough, it is the sectors in difficulty which have often derived the least benefit from the common market owing to the fragmentation caused by national intervention. Effective coordination of the principal sectoral policies is therefore urgently necessary: it should be undertaken in collaboration with the national administrations and with both sides of industry.

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Industrial policy, which must help to achieve the Community's major economic and social objectives, is closely bound up with the implementation of specific action programmes on social and regional matters, the environment and research.

In respect of employment in particular, the objectives of the industrial policy and those of the social and regional policies are in close harmony: an effective industrial policy should create a sufficient number of jobs for the present and future population of the entire Community. More specifically, it should allow jobs to be created in areas affected by various types of unemployment, underemployment, and structural changes. Furthermore, a special effort will have to be made to increase occupational mobility and thus facilitate the process of industrial modernization.

The Commission recommends a greater effort to forecast regional, sectoral and occupational labour trends. Such estimates should be coordinated at the Community level, so that the various vocational training and retraining projects to be undertaken with the aid of the new European Social Fund can be steered in the right direction. It is particularly important to assess the consequences of structural transformations on the employment market as far in advance as possible. Only in this way is it possible to take timely steps to ensure, in socially acceptable conditions, the necessary retraining of manpower and the creation of new employment in the affected areas. These forecasts should embrace all the sectors, including those for which a manpower increase is probable, particularly in the service sector.

The Commission will shortly submit more precise suggestions concerning the requisite machinery to the Permanent Committee on Employment. It will also request the Council to express an opinion on a proposal for a directive concerning mass dismissals.

The demands of efficiency are often thought to be irreconcilable with those of social or regional development. It is the Community's task to reconcile these apparently contradictory demands by promoting a new industrial democracy, which will make the best use - to quote the very words of the communiqué signed in Paris by the highest authorities of our countries - of "economic expansion, which is not an end in itself, to improve both the quality and the standard of living".