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ACTION PROGRAMME FOR 1978

(Commission Communication to the Council)

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## INTRODUCTION

The Commission presented a Communication to the European Council meeting on 5 and 6 December 1977 outlining the prospects for economic and monetary union. The Heads of Government reacted favourably to the Communication, which contained proposals for a five-year economic and monetary action programme; the details would be set out in annual sections and regular checks would be made at the highest political level to ensure that it was implemented. The following paper presents the broad lines of the programme for 1978.

These broad lines are part of an overall plan to pave the way for economic and monetary union while at the same time attempting to come up with lasting solutions to the European economic crisis.

The Commission intends to launch an attack on three main fronts:

- (i) increased convergence of economies and economic policies;
- (ii) progress in the creation of a single competitive market;
- (iii) development of Community structural and social policies, from both the sectoral and the regional point of view.

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## II

The convergence of economies is a condition of progress towards European integration. It requires a return to stable prices and balanced growth and a concomitant improvement in the employment situation. To achieve this the coordination of short-term economic policies must take on a new dimension, to become more realistic in practice and wider in application.

The Commission will therefore concentrate on working towards a closer coordination of monetary and budgetary policies and the re-establishment of monetary cohesion within the Community. It would also urge the Council to act as promptly as possible on the proposal for a decision setting up a new Community borrowing and lending instrument.

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With regard to the achievement of a single Community market - a step towards integration, a growth factor and a guarantee against the temptations of protectionism - the Commission trusts that the Council will in 1978 make full use of the political stimulus provided by the last European Council by adopting a number of proposals now before it, particularly those relating to tax harmonization, the elimination of technical barriers to trade and the opening of public contracts to competitive bidding.

In order to promote the free movement of goods within the Community steps should be taken in the course of the year to encourage greater harmonization of customs regulations in respect of both internal and external Community trade.

### III

The continued and large-scale development of Community policies in the structural - both regional and sectoral - social and employment fields cannot be dissociated from the efforts that the Member States are being asked to make to bring about a genuine convergence of their economies and economic policies. So that in the months ahead a start may be made in this direction, the effects of which will be felt only progressively in the course of the five-year action programme, the Commission would ask the Council to take decisions as soon as possible on the proposals concerning:

- (i) the regional policy and the Regional Fund;
- (ii) adjustment of the socio-structural measures in agriculture;
- (iii) agricultural and structural measures in favour of the Mediterranean regions;
- (iv) the Community approach to sectoral problems.

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The priority guidelines of the 1978 action programme are described in the following chapters, which list proposals already presented, on which the Council is asked to take a decision as a matter of urgency in the course of the year, and point out other urgent matters which the Commission will deal with.

Each chapter starts with a general introduction. This will serve to guide the discussions at the different Council meetings which will deal with the relevant proposals (Foreign Affairs, Social Affairs, Agriculture, Economic and Financial Affairs, Energy and so on).

The programme as a whole constitutes a coherent framework for action by the Member States and the Community to support the economy, to deal with structural problems and to lead Europe out of the current crisis. It will help provide the foundation on which to build an economic and monetary union, to be constructed as progress is made in the different fields.

#### IV

If this programme is to be implemented satisfactorily, it must be monitored throughout and given effective political backing; in addition the European Council should carry out a general review at the end of each year. It will also necessitate close cooperation with both sides of industry.

The Commission asks the Council:

- (i) to endorse the basic principles outlined in this 1978 action programme;
- (ii) to take the decisions necessary to ensure that it is implemented in accordance with the proposed timetable.

CHAPTER A: CONVERGENCE OF THE ECONOMIES

I. CONVERGENCE

(a) The five-year action programme proposed by the Commission in its Communication on the Prospect of Economic and Monetary Union is designed to achieve lasting convergence between Member States' economies, and it will involve:

- (i) the definition of common macroeconomic targets: bringing inflation under control, restoring growth, employment targets;
- (ii) the deployment at macroeconomic and structural levels of operational instruments to provide effective assistance in the achievement of these targets;
- (iii) an appreciably closer alignment of the performances of our economies, including stabilization of price trends in each of the countries of the Community at a satisfactory level as rapidly as possible during the period.

(b) It is of overwhelming importance that the economies of the Member States should be made to develop on convergent growth paths.

- (i) Without such convergence, the Community's past and present achievements can neither be consolidated nor strengthened;
- (ii) given the degree of integration achieved, convergence will also be a key factor in improving the effectiveness of national growth and employment policies;
- (iii) lastly, the return to convergent growth paths will allow of progress towards economic and monetary integration within Europe.



(c) All Member States have the same growth and employment problems to contend with; although they are subject to different constraints with regard to inflation and the balance of payments, the interpenetration of the economies is such that each of the countries strongly influences and is strongly influenced by economic developments in the others.

The coordination procedures established under the Decision of 18 February 1974 reflect this state of interdependence and its impact on the national policies.

The Commission feels, however, that current practice has not proved dynamic or efficient enough to ensure that the means and methods for achieving the objectives jointly agreed are properly and adequately related to the objectives themselves. Consequently, it asks that the Council focus its efforts during 1978 on strengthening coordination mechanisms.

Quite apart from integration objectives, the objective situation of the European economy warrants:

- (i) an extension in the scope of coordination;
- (ii) a more purposive demonstration of political will in the application of present procedures.

The right way to turn to best account the benefits accruing from the large market, thus helping to dispel the uncertainties now overshadowing economic development in the Community, is to establish objectives by joint agreement and to implement macroeconomic and structural policies which are not only mutually compatible but which also serve to strengthen each other's effects.

This means that, starting in 1978, the Community will need to make substantial headway in the following four fields.

## II. MONITORING ACHIEVEMENTS AND DIVERGENCES

Experience has shown that the degree of control exercised during the relevant periods on progress made towards achieving the targets jointly agreed at the three ministerial sessions devoted to examination of the economic situation is inadequate. As of 1978, such progress should be properly monitored between sessions.

In this connection, the Commission believes that the role of the Coordination Committee must be clarified and strengthened.

The Committee should do what it can:

- (i) to make the consultations leading up to major national decisions on economic policy an essential and valuable preliminary in terms of Community compatibility and consistency;
- (ii) check regularly on the implementation of the policies;
- (iii) select, in both cases, the matters that, on account of their importance and urgency, should be forwarded to the Council for examination.

## III. STRENGTHENING THE COORDINATION OF SHORT-TERM ECONOMIC POLICIES

(a) For each Member State, the macroeconomic targets - as jointly agreed - cannot be achieved unless the right budgetary, monetary and exchange-rate policies are worked out and executed, and the effectiveness of these policies will depend on:

- (i) the extent to which they are properly related to the final targets selected, and
- (ii) to a varying but never negligible extent, the behaviour of the other Member States.

Under the circumstances, the Commission urges the Council to refine and activate the present coordination procedures, in two major respects:

- (i) analysis of the links between the growth, price and balance-of-payments targets and the monetary and budgetary policies pursued for this purpose;
- (ii) monitoring of the compatibility of these policies from a European angle and the establishment of ways and means of correcting short-term policy measures which, on account of the external implications, would run counter to the objectives pursued by the Community as a whole.

(b) While not wishing to interfere with the substance of the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States, the Commission does intend in this way to take measures to ensure that it will be implemented in a more effective manner.

In October 1977, it addressed to the Council a Communication on the improvement of the coordination of short-term economic policies, now before the specialized committees, which are expected to make known their views at some time before the end of March.

(c) The main concern is to remedy an abnormal situation: the coordination of national monetary policies has so far lagged behind the coordination of budgetary policies, the quantitative guidelines for which have been regularly fixed by the Council for a number of years already.

During 1978, the Commission therefore plans to continue the work started in close collaboration with the Committee of Governors of the Central Banks and the Monetary Committee, and thus to establish ways and means whereby substantial progress could be made with a view to:

- (i) reinforcing contacts between the Commission and the monetary authorities of the Member States and ensuring, in particular, that more information is made available on the various monetary policies and their interaction when the guidelines for these policies are fixed;
- (ii) analysing the compatibility of national monetary policies from the Community viewpoint and ensuring that they are consistent with the joint general objectives;
- (iii) monitoring the implementation of these policies through regular examinations.

On the basis of its own work and the opinions of the committees concerned, the Commission will submit its findings and final proposals to the Council of Ministers.

(d) The Commission also attaches great importance to improving the instruments for coordinating budgetary policies. It therefore requests the Council to proceed this year to:

- (i) the introduction of quantitative guidelines for the use or financing of budget surpluses/deficits. These indications will enable the interaction between budgetary and monetary policies to be assessed: the "monetary" financing of budget deficits represents a counterpart to the money supply which is often on a large scale;
- (ii) the definition of qualitative or quantitative data as the first stage in extending the scope of the budgetary guidelines to include the whole of the public sector. These data will provide a clearer picture of the growing importance, at macroeconomic level, of public authorities other than the central authority;
- (iii) the compiling of data illustrating the scope for adapting the budget surpluses or deficits in the light of the medium-term growth path deemed appropriate. A link would thus be forged between the short-term and the medium-term programme, and a definite reference status would thus be conferred upon the latter.

On the basis of the progress made with the help of the relevant committees, opportunities for improvement will be examined when the budgetary guidelines for 1979 are fixed (in June 1978).

#### IV. THE RETURN TO MONETARY COHESION

Improved convergence and closer coordination of short-term economic policies would enable the danger of strain within the snake to be reduced and

would make it possible to begin working towards some measure of stabilization of exchange rates between the snake currencies and the other Community currencies, with a view to more orderly exchange rate relationships at Community level. Financial solidarity machinery should suffice for this purpose, except that conditionality arrangements should be tightened up.

(a) Establishment of coherent exchange rate relationships

In present circumstances, the Commission is of the opinion that every effort should be made to preserve and strengthen the snake, which is not only vital to economic and monetary cohesion but also a scheme to which it may be hoped that the freely floating currencies will one day be able to return.

The need to ensure that the policies developed within the snake are compatible with the Community's general objectives, does, however, justify more direct participation by the Community institutions in the joint-float mechanisms.

The Commission is also convinced that current study and analysis of exchange rate changes now being pursued in the Committee of Governors and in the Monetary Committee should be given a systematic basis and extended in scope.

These discussions, taking place at regular intervals, should in 1978 make possible an appraisal of the scope for joint measures to restore a coherent pattern of exchange rate relationships within the Community and between Community currencies and the currencies of non-member countries. The machinery for such analysis and joint action should be developed gradually in the months ahead. The Commission may draw on work currently being carried out by the relevant Committees and its own departments to present appropriate proposals in due course.

(b) Financial solidarity and firmer conditionality

The Commission will ensure that the five-yearly revision of short-term support quotas planned for 1979 is properly prepared in 1978, and will present the appropriate proposals. In a wider context it will define and propose any financial solidarity arrangements necessitated by the operation of a Community strategy to end the crisis and return to balanced growth.

Community financial support has been granted only on specific economic policy conditions, and the Commission will monitor developments carefully to make sure that these conditions are in fact being complied with. It will carry out on-the-spot fact-finding missions to the authorities of the countries concerned, and joint examinations will be arranged at regular intervals within the Monetary Committee.

V. INVESTMENT AND BORROWING

In January the Commission presented the Council with a proposal for a decision on the setting up of a new Community borrowing and loan facility. Intended to assist in improving structures, the loans will be used to finance investment programmes of joint interest.

The Commission hopes that the Council will take a decision in the first quarter, so that it can activate a first tranche as soon as possible in 1978.

CHAPTER B: THE SINGLE MARKET

I. ESTABLISHMENT OF A SINGLE MARKET

In its communication on the prospects for economic and monetary union the Commission proposed that, "over a five-year period, such progress be achieved in establishing a single market as is necessary for putting economic and monetary union into effect". It also recalled that without trying to make the common market strictly comparable to the market of a single country it was nevertheless necessary to unify the market wherever divergences in national legislation or practice raised barriers to the free movement of goods or services or complicated the business of firms.

The programme of action for 1978 on measures to unify the Community market has been worked out in the light of this five-year objective and of the selective approach taken to it.

The proposed progress should make a very direct contribution to attainment of the objectives set elsewhere in the EMU programme, both in respect of the return to sustained growth and the establishment of lasting economic convergence and in respect of the strengthening of the cohesion of the Community by the development of structural policies, especially through an active policy on industrial change.

(a) Substantial progress in the integration of markets is the first essential if success is to be achieved in the Community strategy for overcoming the crisis: the development of intra-Community trade is one of the decisive factors in restoring a satisfactory growth rate. Hence the measures proposed for the customs union, the removal of technical barriers to trade, the common market in services, the elimination of administrative frontiers, tax harmonization and liberalization of capital movements.

Apart from these measures for improving the free movement of goods, services and the factors of production, there must at the same time be a coordinated effort to reduce the legal, administrative and tax barriers to optimal exploitation by business firms of all the advantages accruing

from integration. Likewise it is indispensable that on certain points the market itself operate according to rules that are also gradually unified. The measures called for in relation to company taxation, company law, financial intermediaries, and so on are inspired by these two concerns.

(b) Secondly, each step towards unification of the market will help to strengthen the necessary basis for structural change in the European economy. In general terms the expected stimulus to growth is bound to facilitate structural change in individual industries in the period before us and help solve the employment problems. More specifically, certain individual and at first sight secondary measures for the creation of a single common market will also be found to be of direct assistance to policies to support industries in difficulty: the harmonization of customs procedures will condition the progress of measures already taken to regulate certain markets in the Community, such as steel and textiles.

The programme set out below has been drawn up in the light of the preoccupations and perspectives just outlined. The Commission's main aim at this first stage of a five-year programme of action has been to integrate a variety of actions and programmes already under way or on the drawing board. It has of course taken account of the progress already made, concentrating on measures where a proposal has already been made for the Council to decide on in 1978. A list of the proposals which the Commission is planning to present over the next twelve months is given in the Annex. For the sake both of simplification and of technical coherence the various chapters - customs union, tax harmonization, etc. - contain measures which are substantially different in their intrinsic importance, scope and operational context. But this should not conceal the fact that these many proposals - on matters relating both to barriers to trade and to improving the organization of the way the single market will work - fit together horizontally to form a coherent whole.



## II. FREE MOVEMENT OF GOODS AND SERVICES

### A. Customs union

In order to achieve the convergence of the Community economies as a step towards economic and monetary union, the customs union will have to be completed. The customs union provides a great many instruments required for the application of measures under various common policies - notably the customs, commercial, industrial and agricultural policies. It must be tightened to ensure that goods entering the Community from non-member countries are subject to exactly the same conditions whatever their point of entry: the reliability of the common approach on customs matters is a fundamental factor in halting the splitting-up of markets and dissuading the Member States from applying autonomous measures at national frontiers.

Together with the introduction of uniform arrangements for trade between the Community and non-member countries, customs procedures will also have to be harmonized. Existing disparities between national customs legislation could cause distortions in the customs and economic treatment of goods released for free circulation in the Community; reducing these disparities is a sine qua non for achieving smoother flows of trade within the Community. In addition, if procedures are harmonized, it will then be possible to simplify further the formalities and controls applicable to intra-Community trade.

The Commission would therefore ask the Council to decide this year on the proposals listed below, which are already before the Council.

#### (a) Administrative cooperation and mutual assistance

Regulation on cooperation between national customs authorities and between them and the Commission (sent on 10 April 1973).

#### (b) Uniformity of arrangements for external trade and implementation of sectoral measures

(i) Directive on the harmonization of procedures for the release of goods for free circulation (sent on 21 December 1973);

(ii) The operation of market regulation arrangements for steel and textiles gives added importance to the uniform application throughout the Community of precise rules of origin; the effectiveness of these arrangements also depends on the establishment of a scheme for the surveillance of imports from various sources which can guarantee both speed and reliability.

(c) Free movement of goods

(i) Proposal for simplification of the Community transit scheme by making the provisions on the compulsory provision of security more flexible (sent on 11 August 1975);

(ii) The Commission will examine with the Member States' customs departments ways and means of substantially easing the formalities involved in intra-Community trade in goods subject to VAT but to no other form of tax; it will also consider whether simpler arrangements could be made for goods which remain temporarily in one or more Member States before returning to the Member State from which they came (parts for assembly, works of art for

B. Removal of technical barriers to trade

The Council has on a number of occasions recognized the importance for the achievement of the internal market of removing technical barriers to trade.

The directives ~~to~~ to standardize technical specifications allow industry to benefit from the economies of scale offered by a market of 250 million inhabitants. They also put Community industries in a stronger position against international competitors on other markets and at the same time offer consumers a wider choice of products and the fruits of increased competition between producers.

If any significant progress is to be made, a tight work schedule must be respected: the following directives, for which proposals have been made, must be adopted this year:

(a) Industrial products

(i) Directives concerning motor vehicles.

The main stress must be on the adoption of the last four directives in this field; at the same time the Community type-approval arrangements adopted in 1970 should be reviewed in order to produce an effective Community structure which would mean that the Community industry was not at a handicap against its international competitors.

(ii) Framework directives concerning three important industries (lifting and handling appliances; non-electric cookers and heaters; constructional plant and equipment).

As framework directives deal effectively with these matters, they should be adopted.

(iii) Directive concerning the packaging and labelling of dangerous substances, which is essential for the free movement of chemicals.

(b) Foodstuffs

In view of the special requirements here and of the role played by the protection of public health, the main efforts must be directed at pressing forward with the horizontal directives, which will trace the broad lines for Community action, and at adopting specific directives to solve important problems (labelling of foodstuffs).

C. Common market for services

The Commission would ask the Council to decide this year on the following proposals now before it:

(a) Securities market

Directive to coordinate the conditions for admission to official stock exchange quotation.

(b) Insurance

Directive for coordination in life assurance;

Directive concerning co-insurance;

Directive on freedom to provide services in risk insurance.

D. Public contracts

Directive 77/62, which comes into force on 1 July 1978, will allow for verification of actual compliance with provisions for the liberalization of public contracts, for it will compel public authorities to use public and widely publicized procedures for the award of contracts, which total 10 000 million ECU for the Community as a whole.

As for branches of the economy that are not yet covered, the Commission intends to transmit a proposal concerning telecommunications supply contracts towards the end of the year. It will then move on to deal with transport, and subsequently the supply of water and power.

E. Liberalization of capital movements

Depending on progress with general economic convergence the Commission will endeavour to encourage the liberalization of capital movements this year. It will continue to monitor the situation closely, particularly in those Member States that have had to apply safeguard measures.

F. Removal of monetary compensatory amounts in agriculture

A first step should be taken here, in accordance with the Commission's proposal, when the farm prices are fixed for 1978/79.

### III. HARMONIZATION

#### A. Tax harmonization

1. It is too early yet to make precise proposals concerning the general problem of the harmonization of VAT rates in the Member States. It must first be determined what is the most suitable rate structure for the Community (one, two or more rates). The Commission will begin preparatory work in 1978 with a view to presenting a proposal to the Council later.

2. The Commission would also ask the Council to decide this year on a number of priority matters on which proposals have already been transmitted:

##### (a) Excise duties

Directives on beer and spirits;

Directive defining manufactured tobacco products;

##### (b) Direct taxation

Directive concerning the tax arrangements applicable to mergers between companies from different Member States;

Directive to eliminate double taxation on adjustments or transfers of profits between associated companies;

##### (c) The fight against tax evasion

Proposal for extending mutual assistance for the recovery of customs duties and agricultural levies to VAT and excise duties;

##### (d) Duty-free allowances

Directives on small consignments from non-member countries, duty-free allowances for removals, marriages and successions, temporary admission of certain means of transport, bigger allowances for travellers;

##### (e) Other indirect taxation

Directive on indirect taxes on transactions in securities.

3. The Commission would like a decision to be taken before the end of the year on two VAT proposals which it is planning to send to the Council following adoption of the Sixth Directive, establishing a uniform basis of assessment:

Seventh Directive, on reimbursement of VAT to foreign taxable persons;

Eighth Directive, on secondhand goods and works of art.

B. Company law

Most of the largest industrial and commercial undertakings in the Community take the form of joint-stock companies. These are the Companies which buy and sell the largest quantities of goods, borrow and lend the largest sums of money and make the biggest contribution to the development of modern technology, of which they are the principal users. They are the leading creators of wealth and, as employers, have a direct influence on the lives of many Community citizens. They are clearly institutions of vital importance for the Community's economic and social structures.

At present these companies are incorporated under the laws of individual Member States. These national laws differ considerably on matters such as company structure, mergers between limited liability companies, the annual accounts of joint stock companies and groups of companies, and this hampers international business, both for those dealing with a company and for the companies themselves.

As progress is made towards EMU a common market for companies must also be set up to promote the flow of productive investments.

The Commission considers that the conditions are right for adoption by the Council this year of the following proposals:

Third Directive, concerning mergers between limited liability companies;  
Fourth Directive, concerning the annual accounts of joint stock companies;  
Sixth Directive, concerning the prospectus for admission to stock exchange quotation.

C. Merger control

In order to preserve the undistorted competition which the Treaty aims at, competitive industrial and commercial structures must be maintained in the Community. Since the means of working for this objective, based on Article 86, are inadequate, the Commission would ask the Council to adopt in 1978 its July 1973 proposal for a regulation to control large-scale mergers.

CHAPTER C: STRUCTURAL POLICIES

I. POLICY FOR INDUSTRIAL CHANGE

The declining sectors of the Community's industry must adjust their production capacity and modernize equipment in order to become competitive again, a prerequisite if the Community is to develop its external markets. The new possibilities of development afforded on its own market by the high-technology sectors and industries connected with environmental protection and energy should also be exploited.

The market's role in reallocating resources, as required by industrial redeployment, is and must remain primordial.

It must, however, be borne in mind that there are powerful lobbies for helping certain industries in increasing difficulty by national safeguard measures in the form either of government aid or of protectionist measures. There would then be a real danger of protectionism and of the break-up of the internal market. This repartitioning of the Community market would deprive the most efficient firms of the advantage of their competitive superiority. Hence the need for the Community both to step up its efforts to establish a single internal market and encourage technological research and also to take pragmatic but coherent sectoral measures in order to avert the danger and facilitate the modernization of the industries concerned, enabling them to become competitive again more quickly. This is the purpose of the Community's action in steel, textiles and shipbuilding.

Industrial reorganization is possible only if workers can be certain that at the same time effective regional conversion measures are being taken, including the provision of new jobs and the retraining of the workforce. The creation of such jobs will first require renewed investment in industry and services together with an improved economic climate and the application of specific measures for regional development. Community action is also needed to encourage the development of new industrial activities.

The Community must, therefore, open up public contracts and coordinate public purchasing to encourage and develop the pooling of national efforts concerning technological research and production programmes for high-technology industries. It must promote the creation of industrial activities connected with the protection of the environment. Its industry must be encouraged to draw maximum benefit from the growth potential afforded by the external markets mainly in the energy-producing countries and in the developing countries, notably by means of industrial cooperation.

These policies should be financed from the Community budget, the redistribution potential of which should be increased to make convergence easier and provide a firm basis for integration. If this proves not to be possible, it would be necessary to increase budgetary expenditure still more, in order to cover the transfers required in an economic and monetary union.

A. Continuing the Community policy of industrial intervention

The Commission will continue to seek the views of the governments, employers and trade unions.

(1) Steel

As the market recovers - which is the aim of the Commission's crisis plan - firms will gradually return to a profit situation, thus allowing them to undertake their reorganization using their own resources.



In the revised general objectives for steel for 1985-90 the Commission will encourage the implementation of reorganization programmes. The Community's assistance will be by way of ensuring the coherence of these programmes and providing ECSC financial resources for modernization and conversion projects.

In this way the Community steel industry will quickly become competitive again in a framework of international free trade.

(2) Textiles and clothing

The main effort internally will be directed towards reorganizing the branches hardest hit by the crisis, including the synthetic fibre industry where the problem of surplus capacity must be solved. As with steel, the Commission will mobilize its financial resources to ensure that along with reorganization the necessary complementary measures in regional conversion and social readaptation are taken.

Externally Community policy has created the conditions and timing necessary to encourage such adaptation and reorganization.

(3) Shipbuilding

In this industry a programme of adaptation will be undertaken with the aim of limiting production to the foreseeable volume of demand, which will have to be stimulated in such a way as to promote Community production. Making the Community shipbuilding industry competitive in the world will involve the loss of jobs, which will have to be

offset by appropriate conversion and adaptation measures supported by Community funds.

B. Growth sectors

Projects and measures implemented in the depressed sectors must be backed up by an effort to identify and develop those sectors which, in the light of current structural developments, will ensure that European industry becomes more competitive and returns to growth in the future. In accordance with its communication to the European Council meeting on 5 and 6 December 1977, the Commission will present a report to the Council on this matter before July 1978. The report will identify the growth sectors where the Community could foster development. Without waiting for the report the Commission, with reference to the Council Resolution of 19 March 1977 on the construction programmes for large civil aircraft, will indicate the practical possibilities for Community cooperation in research, construction and marketing.

C. Development of Community instruments for a policy of industrial change

In order to ensure the coordination of Community intervention, the Commission will endeavour in 1978 to carry out certain studies with the aid of public, trade or independent bodies. The Commission will report periodically to the Council on the progress of this work:

- numbers of jobs lost as a result of reorganization plans;
- appraisal of sector performance (profitability, efficiency, competitiveness, capital coefficient and investment financing structures, etc.);
- analysis of factors of change, both international (new international division of labour) and internal (trend in the structure of demand), and their impact on the production apparatus;
- development of a system of indicators on the situation in an individual industry (sector instrument panel) which will act as an early warning system and enable dangers threatening that sector to be spotted in time;
- collation and analysis of national sectoral forecasts to ensure a better exchange of information on changes in economic structures (an assignment given to the Commission by the Council under the fourth medium-term economic policy programme).

## II. ENERGY POLICY

Here the objective for 1978 is to make a two-pronged advance towards achieving a big reduction in the Community's energy dependence and establishing a common energy market.

### A. Energy independence

Significant progress towards the objective of greater energy independence could be made in 1978 by affirming the determination to continue the effort already being made to reduce consumption and to use energy more rationally and to continue and step up the development of sources of energy produced in the Community which can replace imports of crude oil.

#### (1) Energy savings

The Commission hopes that during the first six months the Council will adopt the following proposals, which are now being discussed and on which Parliament and the Economic and Social Committee have given their opinions:

Regulation on granting financial support to demonstration projects enabling energy to be saved;

Directive on the modernization of buildings to save energy.

#### (2) Development of energy sources in the Community

The Commission would ask the Council to take decisions in the first half of the year on its 1977 communications concerning:

reprocessing of spent fuels;

a Community action plan for radioactive waste;

the fast breeder option.

E. Common energy market

In 1978 progress towards establishing the common energy market should be via the achievement of intensified intra-Community trade, greater transparency and a gradual harmonization of prices and an orderly development of refining capacity.

(1) The intensification of trade in energy products within the Community concerns especially trade in coal; the Commission hopes that the Council will quickly adopt its proposals for encouraging the use of coal in power stations.

(2) Major factors in the creation of a common market are the achievement of more transparency of energy prices, and their gradual harmonization; so that the many obstacles can be overcome the Commission hopes that the Council will set out resolutely on the route the Commission has mapped out, taking the direction which will be indicated in the communications it will be presenting during the second quarter.

(3) Since the Council has been unable to adopt the Commission's proposals on oil refining policy, the Commission will present a new communication on this subject during the first half of the year.

C. Financial instruments

Investment in the energy sector must be stepped up very sharply because spending on a large scale would meet a priority requirement which is that of developing new energy sources in Europe and at the same time effectively underpin economic activity in the Community. The Community already has major instruments at its disposal in this field and has proposed specific measures.

Lending operations under the Euratom borrowing scheme will be stepped up and the new financial instrument on which the Commission will shortly be presenting a proposal will make it possible to increase the incentive to invest in the energy sector. The Commission also hopes that the proposals to grant financial support for projects aimed at developing alternative energy sources and to back the hydrocarbon exploration projects currently being discussed in the Council will be adopted during the first half of the year.

### III. AGRICULTURAL STRUCTURE POLICY

In conjunction with its second report on the application of the socio-structural directives, the Commission presented two sets of proposals containing amendments to existing texts and also new plans.

These proposals concern the modernization of farms, the cessation of farming, the marketing and processing of agricultural products, farming in mountainous areas, the introduction of systems technical advisers, afforestation, agricultural infrastructure and a number of collective operations for converting to new products, and land improvement works.

In presenting these proposals, the Commission had two objects in mind:

- (i) to promote the structural development of farms in an economic situation which is tending to act as a brake on such a development;
- (ii) to stress that agricultural structure policy must make greater allowance for the regional disparities existing in the Community. To achieve this a large proportion of the funds available will be channelled to regions where the improvement of productivity encounters difficulties which cannot be eliminated without Community assistance and those which also have to make special efforts to adjust and convert, such as the Mediterranean regions. The Commission hopes that the Council will take a decision in the first half of the year.

### IV. REGIONAL POLICY

The Commission is fully aware that the quest for growth will have to be backed not only by a policy on sectoral structures, but also - in order to keep moving towards the objective of a harmonious development of the regions - by an active regional policy.

It was for this purpose that the Commission sent the Council in June 1977 its communication on regional policy guidelines and the accompanying proposals.

The proposals currently before the Council are mainly concerned with:

- (i) improving the procedures for coordinating national regional policies, notably by having a report drafted every two years on regional development, to serve as a general framework for analysis and planning;
- (ii) strengthening the role of the Regional Policy Committee;
- (iii) establishing and implementing a procedure for assessing the regional impact of the other Community policies;
- (iv) improving the operations of the European Regional Development Fund; this can be done by supporting Member States' development projects and by specific action to deal with the regional effects of Community policies.

The Commission hopes that the Council will act rapidly on the above proposals following the decisions taken by the Heads of State or Government on 5 and 6 December 1977. It will then be possible to implement them in 1978.

#### V. INVESTMENT POLICY

Investment projects meeting the Community's priority requirements in the fields of energy, industry and infrastructure work can in future - with due allowance for their regional impact - be financed using the new Community borrowing and lending instrument.

##### A. Investment aid policy

If higher growth rates are to be restored, investment must be stepped up, not only in absolute terms but also enough to increase its share in GDP.

In all countries there are measures to encourage investment. Over the past few years there has been a fairly widespread trend to increase such investment incentives.

However, while the stimulation of capital formation is one of the priority tasks of economic policy, a much larger number of investment aid schemes with broader scope may generate problems as regards the effectiveness of economic policy and also from the competition angle.

In the light of the results of the current work by the Economic Policy Committee on the possibility of carrying out a comparative analysis of the various general investment incentive schemes, the Commission will submit its conclusions in 1978 concerning the methods which are most likely to offer coherent choices and avoid distortions of competition.

B. Investment in non-member countries

The Commission has sent the Council a proposal concerning the protection, guarantee and promotion of investments in developing countries. It would urge that the proposal be discussed without delay in view of the importance for an external policy of support for industrial investment.

C. Public investment

During the first half of 1978 the Commission, working with the national authorities, will draw up an outline of infrastructure of interest to the Community; at the same time it will submit proposals on ways and means of achieving effective, coordinated action in this field.

CHAPTER D: SOCIAL POLICY

Social policy is one of the most important aspects of the action proposed by the Commission in its communication on the prospects for economic and monetary union, because it constitutes both an end and a means: the end is a return to growth and the adjustment of structures to promote social progress - which is also a means, since by strengthening the consensus, social progress facilitates the adjustment of structures and leads to growth. In this connection the Commission will give priority in 1978 to the promotion of employment. Its policy will follow two main lines.

Concerted support for growth will be provided by a number of policies directed at stimulating private and public investment and maintaining adequate demand, combined with efforts to unify the Community market and a policy of industrial changes.

This policy will not in itself be sufficient unless accompanied by social measures. The Commission's second line of action will therefore be pursued via an active employment (mainly through the creation of jobs for young people) and labour market policy.

Following the deliberations of the 1977 Tripartite Conference, the Commission will also give priority to economic and social problems linked to employment.

This does not exclude other areas of social policy concerned with incomes, working conditions, social protection and worker participation from the range of Community initiatives in 1978. Apart from their intrinsic value, they will also strengthen the social consensus needed if the essential adjustments are to be carried through. Accordingly, a number of actions and ideas will be put forward in these different spheres.



To be more specific, the Commission will take certain initiatives in the following areas in 1978:

I. EMPLOYMENT POLICY

A. Employment of young people

Proposal to provide aid for the creation of jobs for young people (first quarter of 1978).

B. Labour market

To improve coordination between all aspects of employment policy (school, guidance, training, placement, employment), the Commission will seek to expand mutual aid and cooperation between Member States in developing national institutions designed to improve the balance between supply and demand.

C. Economic and social problems linked to employment

Following the work of the Tripartite Conference in 1977 and in line with the objectives of the fourth medium-term economic policy programme, the Commission, in close collaboration with the two sides of industry and the national authorities, will work out a systematic approach to the economic and social problems linked to employment.

II. INCOMES AND WORKING CONDITIONS

The Commission hopes that in 1978 the Council will take decisions on certain proposals for action presented to it; in addition, the Commission will take a number of other initiatives:

A. Income scales

Reinforcement of action to reduce inequalities.

B. Improved working conditions

- (i) Follow-up to the action programme on health and safety at work already presented to the Council;
- (ii) Examination of the specific conclusions to be drawn from discussions in the Standing Committee on Employment and the forthcoming Tripartite Conference on work-sharing.

III. SOCIAL PROTECTION AND SOCIAL SECURITY

With a view to reducing inequalities with respect to social protection, the Commission will pursue its efforts to lay down common minimum social protection rules to cover the major risks.

IV. WORKER PARTICIPATION

The Commission will continue its efforts to organize conferences bringing together the two sides of industry and the Commission to examine the economic and social problems arising in the shipbuilding and steel industries.

Further, in the interests of reinforcing participation at company level, the Commission intends to forward to the Council a proposal for Community action imposing an obligation on groups of undertakings to inform and consult staff or their representatives.

In addition, in connection with its efforts to create a common market for companies, as soon as the opinion of Parliament is available the Commission will incorporate the ideas outlined in the "green paper" in a revised version of this proposal for a directive.

## ANNEX

Further measures put forward in the Action Programme for 1978

Unlike the main body of the text which concentrates on measures which the Council could decide to introduce in 1978, the Annex lists proposals which the Commission is planning to present during the year and which the Council will be expected to examine.

### I. CUSTOMS UNION

In order to strengthen security in the Community transit scheme the Commission will work for greater cooperation between Member States for the elimination of illegal practices and will transmit a new proposal for simplification of the terms on which the Member States can recover sums falling due in the event of an irregularity.

### II. REMOVAL OF TECHNICAL BARRIERS TO TRADE

#### (a) Preparation of new directives

Industrial products: The Commission will propose a number of directives following on from the outline directives already adopted by the Council (pressure vessels, measuring instruments) or from those which should be adopted in 1978 (cookers and heaters; lifting and handling appliances; constructional plant and equipment).

Foodstuffs: With the help of the industries concerned and other interested parties the Commission will be attempting to redefine the main priorities arising out of the need for consumer protection.

Special emphasis will be laid on:

the properties of plastic substances coming into contact with foodstuffs;  
frozen foodstuffs;

caseins and caseinates.

Proposals should be transmitted in the course of the year.

#### (b) Adaptation of existing directives to technical progress

Technical progress has already obliged the Commission to reopen work on many directives adopted in recent years. Some six or eight proposals will be laid before the committees on adaptation to technical progress with a view to new directives being issued.

These will deal with motor vehicles (statutory plates and inscriptions, interior fittings I, air pollution, braking and external projections) and with metrology (gas meters, material measures of length, methods of checking the making-up of prepackaged goods).

(c) Simplification of working procedures

The Commission finds it unsatisfactory that under the present procedure the long preparation required for directives of this kind at the Commission stage does not prevent the reopening of technical discussions within the Council, discussions which last several years on average.

As a result it will be moving on two different fronts:

Firstly, it will make political representations in the Council to attempt to secure a significant speeding-up of the working methods used.

It is illogical and regrettable that proposals can be held up for years either because their examination has not even begun or that examination has been suspended without any final decision being taken. It is also unacceptable that the political will in favour of harmonization is held back by quarrels between experts.

Secondly, as requested by Parliament, the Commission plans to present to the Council a new procedure for the removal of technical barriers to trade based on Article 155 of the EEC Treaty. The new procedure would be more flexible and would avoid a second discussion of the texts. During the year, for example, it will present a framework directive on building materials which will provide for implementation measures to be taken directly by the Commission once it has received the assent of a committee of government representatives. It will make every effort to ensure that this proposal is adopted rapidly.

III. COMMON MARKET IN SERVICES

The Commission will be transmitting new proposals:

(a) Banking:

Harmonization of the rules governing the compulsory winding-up of credit establishments;

Directives to give proper effect, through measures of harmonization and measures to liberalize capital movements, to the right of establishment for institutions specializing in mortgage credit;

Harmonization of rules governing the canvassing of loan facilities.  
(These three proposals will be transmitted to the Council in the second part of the year)

(b) Securities market:

Directive concerning the canvassing of securities, to give better protection to small savers;

Directive on the information to be disclosed on a regular basis by issuers whose securities are quoted on a stock exchange.

(The first of these proposals will be transmitted to the Council in the first half of the year and the second in the second half)

(c) Insurance:

Directive (originally planned for 1977) for coordination of legal rules governing the insurance contract, to improve the protection given to the insured person and to third parties benefiting under the contract;

Directive on canvassing in the field of insurance to ensure that the insured person is properly protected when entering into a contract;

Directive concerning the compulsory specialization required by a Member State for credit insurance, suretyship insurance, legal expenses and costs of litigation insurance and sickness insurance.

(These three proposals will be transmitted in the second half of the year)

IV. TAX HARMONIZATION

Lastly, the Commission will be presenting new proposals for harmonization of indirect taxation and for measures to combat tax evasion:

(a) Harmonization of direct taxes:

Application to collective investment undertakings of the principles of the proposal for a directive harmonizing company taxation schemes and withholding tax on dividend income;

Removal of certain forms of discrimination in relation to personal income tax on frontier workers;

(b) Tax evasion:

Mutual assistance and cooperation between national revenue departments as regards indirect taxation. This directive will be the equivalent of the one relating to direct taxation.

V. COMPANY LAW

The Commission will be presenting proposals for new directives in the following areas during 1978:

Eighth Directive, concerning the persons responsible for auditing accounts;

Ninth Directive, concerning groups of companies.

Once it has received Parliament's opinion, the Commission will transmit an amended proposal for a

Seventh Directive, concerning group accounts.

VI. ENERGY POLICY

The Commission will transmit to the Council

- (i) in the first half of 1978, a proposal for a second Directive on the performance, maintenance and regulation of heat generators;
- (ii) during the second half, new proposals in other areas of priority action (building, motor vehicles, domestic appliances, industry).

VII. SOCIAL POLICY

In the first quarter of 1978 the Commission will present a proposal for a directive on night work, with a memorandum on shift work.