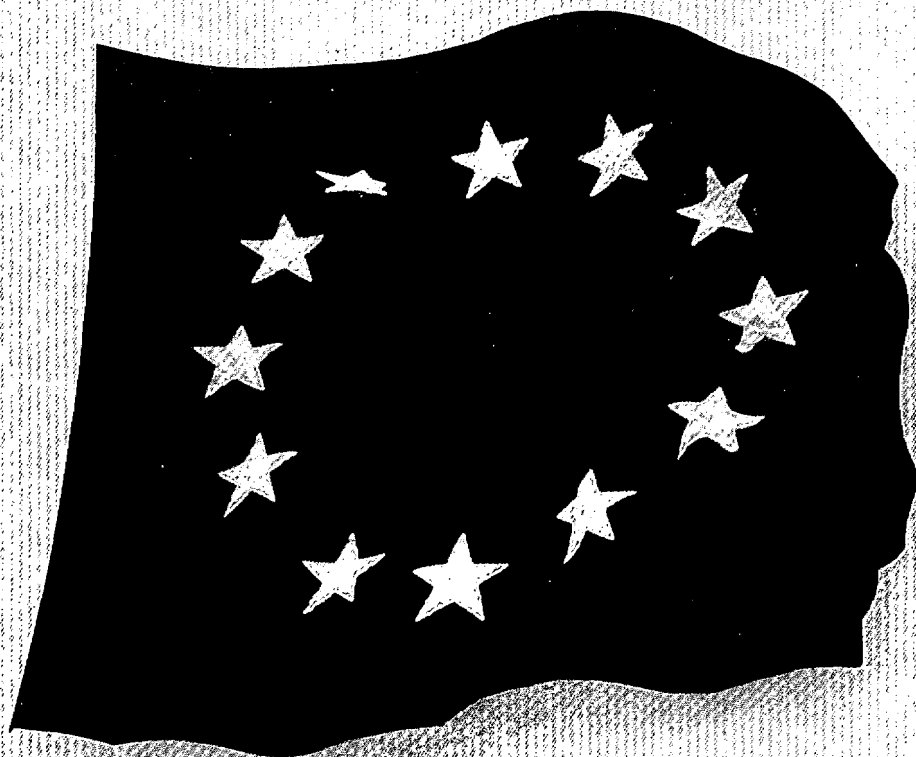


Programme of the Commission for 1989

Address by Jacques Delors,
President of the Commission,
to the European Parliament
and his reply to the debate

Strasbourg, 16 February and 15 March 1989



Commission of the European Communities

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for 1989**

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**Introduction of the Commission's programme
for 1989 by the President of
the Commission of the European Communities**

Mr Jacques Delors,
President of the Commission

Mr President, ladies and gentlemen,

Exactly a month ago, I came here to present the broad lines of Commission policy for the next four years. You were kind enough to endorse them. I am here today to present our detailed programme for 1989—a bulky volume you have already had a chance to see.

Presentation of our programme has special relevance at this point in time for two main reasons:

the first, the happier of the two, is the European election campaign and the broad democratic debate on European issues that this will provoke;

the second, more troubling, is the hardening of attitudes in certain quarters, despite the fact that we are in the middle of a revival full of promise for the attainment of our goals; hence the need, to my mind, to address the issues which are causing internal wrangles, calmly and in a spirit of dialogue.

For these two reasons, I would like once again to emphasize the importance that the Commission attaches to sustained dialogue with this House. In recent years, and since the advent of the Single Act in particular, this dialogue has become more intense and more fruitful. Close cooperation between our two institutions has restored mobility to a Community that, not so long ago, was threatened with paralysis.

I would like our discussion today to be productive. I therefore propose to link it to a number of topical issues and highlight five points which I regard as vital, over and above the details set out in our programme.

1. The single European market

The Commission is concentrating all its efforts on achieving the single market on time. I do not propose to go into detail here, but I feel obliged to stress that our proposals are a response to the single market White Paper, to the Single Act itself, or to a specific request from the Council.

The Commission considers that it is duty-bound to respond in this way. Perhaps we should make the point, at the moment of presentation, that the sole purpose of our single market proposals

is implementation. Time, as you know, is not on our side. The institutions must make a determined effort to ensure that the Community keeps up the pace necessary for achievement of the single market.

Our programme for 1989, based on that principle, thus give the lie, concretely and dispassionately, to those who claim that we are guilty of diversionary tactics or surreptitious plans to extend the Commission's powers. No, our priority—to the exclusion of all others—is to meet the 1992 deadline.

The Council must bend its efforts in that direction too. But it will need to do even more if the deadline is to be met. It will be scrutinizing a mass of proposals relating to the single market during 1989. Most of these are subject to the cooperation procedure and will of course entail a lot of urgent work for Parliament.

In this context the Commission attaches enormous importance to the *ad hoc* working party called for by the Rhodes European Council (each Member State to appoint a person responsible for coordination). This is to define a joint approach to policies which could pave the way for the abolition of border checks within the Community.

Not that the Commission, or Parliament, sees the single market as an end in itself. You are all aware that completion of the internal market is primarily a response, a necessary response, to the challenges of economic competition and a rapidly changing world.

But, if the end result is to be up to expectations, if the integrated area is to mean increased competitiveness and more employment in practice, it is essential—and here I am simply stating the obvious—that there should be consensus between *all* the Member States in certain areas. One such area is the closer alignment of tax systems.

On the savings tax proposal—a topical issue—I would remind you that it was in response to an express invitation from the Council, referred to in the directive, that the Commission decided to investigate this matter and identify the line of least resistance. Hence the proposal—more readily acceptable, we think, than the compulsory declaration of income by third parties—for a 15% withholding tax on income from bonds and bank deposits, matched by other provisions designed to prevent capital leaving the Community and hence strengthen our financial markets.

The Commission is well aware that, when it raises sensitive issues inextricably linked with

national cultures and traditions, it is treading on dangerous ground, touching on doctrinal debates. But it would be wrong to suspect it of wanting to use supranational privilege to undermine any particular body of national law. Member States should be constantly aware of the dangers of stalling implementation of the Single Act and appreciate the Commission's efforts to reconcile opposing positions.

2. The Single Act but all the Single Act

The Single Act but all the Single Act. That is right. That is why I began by defining the single market as one of the priority objectives of our programme.

But the single market will not achieve its full potential, will not live up to expectations, unless the other goals defined in the Single Act are reached too. I need hardly remind you that the economic dimension of the single market cannot be seen in isolation. This is neither the time nor the place to review the flanking policies. I would simply like to pinpoint three principles underlying these policies.

The first is consistency. It is this that guides the establishment of an economic and financial area, an area in which freedom will reign, but also a framework that will make it possible to maintain consistency.

Because every market needs some rules. Everyone accepts that.

Can you imagine, for instance, an efficient European market without a European policy on mergers, just as competition policy endeavours to ban State aids which distort competition? Can you imagine a European market with no protection for consumers?

Or do you think it pointless for the Community, thanks to harmonization and concertation, to acquire ways and means of ensuring that take-over bids are acceptable, of penalizing insider trading?

The primary concern of the Member States may well be the efficiency and transparency of economic mechanisms. But they must consider equity and morality too. Our common objective is, quite simply, to provide business with an environment that encourages competition and cooperation. And that is why consistency must be one of the underlying principles of the integrated financial area, too often seen as chaos in the making.

Speaking of business brings me to the second principle underlying our common endeavour: the need for wider cooperation. By this I mean cooperation between firms through the Community's research and technology programmes, and here the Commission will be reviewing what the framework programme has already initiated and proposing changes. I also mean cooperation in the form of spontaneous alliances which serve to strengthen the hand of European industry. And it is to facilitate this kind of cooperation that the Commission will be presenting a draft this year for the statute of the European company, a development which the vast majority of businessmen regard as vital for cutting costs and making it easier for businesses to get together.

But I also mean cooperation between the Member States on macroeconomic and monetary policies. A month ago I pointed to progress in the monetary field: the EMS is working well and has encouraged convergence between our economies. We must continue along this pragmatic path, if only to ensure that the integrated financial area, encompassing eight of the Member States, which—if I may remind you—is to come into being on 1 July 1990, will operate as smoothly as possible.

Consistency, then, and increased cooperation are essential in the pursuit of a fundamental aspect of the European venture: greater economic and social cohesion. And surely no one here believes that market forces alone can guarantee this. That is why the Commission, with the active support of this House, will be endeavouring, with the new structural policies coming on stream in 1989, to give every region an opportunity to benefit from the enormous advantages the single market will bring. And if you were to ask me to single out any particular aspect here, I would plump once again for rural development, because of its importance to the economy and to society and its basic equilibria.

At all events, application of these new policies will serve as a test of the Community's ability to adapt to a new situation. There is no longer any question of 'fair returns', of policies which merely transfer resources from the centre to peripheral regions, of using statistics as the sole justification for Community assistance. From now on we must think in terms of overall development. From now on it will be for each region, with operational backing from Community programmes, to make the most of its own human, natural and technical resources.

Nor is there any question of 'all or nothing'. There is no reason whatever why the more prosperous countries should not implement a har-

monious town and country planning policy. It must surely be possible, despite the difficulties, to devise a framework within which Member States can operate without breaching Community rules.

The Commission will have to look into this—however sensitive an issue it may be. The problem—and there is no easy solution—is how to reconcile the principle of decentralization and the need for effective monitoring of aid to guarantee smooth operation of the market.

Consistency, cooperation and cohesion. It will not have escaped your notice that these three principles, which underlie the Commission's efforts and give direction to its proposals, all have connotations of sharing and togetherness. Perhaps this heralds a Community on the brink of being transformed into a Union consciously accepted by the men and women of Europe. For we must never forget that we are not merely uniting nations but developing a blueprint for society.

3. A caring Community, a blueprint for society

This year must set the pattern for a more rounded view of European society. The Single Act is not confined to a narrowly economic framework. The bones of a European society are emerging, and, as I said in January, it is for the institutions to put some flesh on them. 1989 will see new moves in that direction.

The programme you have before you, ladies and gentlemen, shows that the Commission attaches enormous importance to environmental problems. My concern about the environment goes back a long way, long before being green became a fashion, dare I say, a ritual. You will see that many of our environmental proposals are pending before the Council. Today I will confine myself to saying that much remains to be done to fill the gaps in Community legislation and ensure that it is complied with. Substantial progress must be made on this front in 1989. Efforts will also be made in 1989 to integrate environmental policy more effectively into other Community policies. And gradually—but only as we gradually demonstrate by our actions that we are genuinely concerned to preserve the balance of nature—we must take the lead in an international crusade, with the backing of initiatives by individual countries and closer cooperation with the European Space Agency.

The ideal of a genuine, pluralist European society has inspired the Commission to pay considerable attention to the social dimension of

European integration. In the debate here last month I stressed the importance of a genuine social dialogue at Community level and referred to the opportunities opened up by our 12 January meeting with the employers and the unions. The undertakings given will be honoured having due regard to national characteristics and hence pluralism. A universal regard for pluralism is surely one of the basic principles of our Community.

In the next few days the Economic and Social Committee will be giving its opinion on the Community charter of fundamental social rights. On this basis the Commission will produce a draft, which could well be adopted by the European Council. Similarly, we must work together to implement the provisions of the Single Act on the improvement of working conditions, and indeed, to make the social dimension a practical reality in programmes financed by the structural Funds. Meanwhile the employers and the unions, in association with the Commission, will be looking at the prospects for the European labour market and the significance of in-service training for companies and their employees.

This being so, you will appreciate why the new Commission has given pride of place to education and training in a European society. The established programmes—Comett, YES, Erasmus—and the new one—Lingua—are vital. But we, like the governments of the Member States, recognize that education policy is crucial to the future. We must give some thought to its development here and now against the background of our past, our value systems, and the dictates of our private and professional lives.

I hope that, with Parliament's help, we can encourage a wide-ranging, searching debate on all aspects of this extremely complex issue by means of symposia and then discussions in the European Council. I have no doubt that the exchange of ideas and experience will be rewarding and provide us with pointers to the way ahead.

4. The Community's international responsibilities

So far I have confined myself to the internal features of the Community's identity: the environment, the social dimension, education. But in 1989 the Commission—and the other institutions too—will have to ensure that the Community's dynamism is also directed to the outside world.

I do not propose to dwell on 'the other Europeans', notably the EFTA countries, which I discussed at length in January.

Today I would like to concentrate on our obligations towards the developing world. My first reason for doing this is that 1989 will see the signing of the new Lomé Convention, known as Lomé IV. The negotiators are in Brazzaville at this very moment. You all know that this Convention is the jewel in the crown of the North-South dialogue. It provides a contractual basis for cooperation between the Community and its African, Caribbean and Pacific partners. Our partners—some of whom are contending with enormous structural problems—expect a great deal of this cooperation. It is for us to ensure that the achievements of earlier Conventions are consolidated during the current negotiations, notably as regards the security of food supplies and the improvement of sectoral policies. It is for us to show some imagination, to find ways of making more allowance for difficult situations. I referred in January to the thorny problem of structural adjustments. I feel that it would do no harm to mention it again.

The Commission hopes that the new Convention will provide some backing for these vital structural adjustments. They must be economically and financially effective, of course, but they must also, above all, be socially and politically tolerable for the countries involved. Surely the object of the exercise must be to strengthen economic structures and at the same time encourage new development on a sounder basis?

But the Community has a role to play in relation to Third World indebtedness too. The Community as such needs to campaign at international level for a concerted, constructive approach by major creditors. You will remember that the Community made such an approach on two occasions in recent years, first in Venice, then in Toronto, when it presented a united front. It came away from these meetings with a better image, with its credibility enhanced in the eyes of its partners. Since then steps have been taken via the Paris Club to ease the burden of the poorer countries. In 1989 something must be done along the same lines to help middle-income countries.

But development also depends on exports and imports. That is why the Commission is keen to guide the liberalization of international trade in the Uruguay Round in that direction.

As the prospects for peace in certain regions of the world improve and dialogue between the superpowers intensifies, allow me, however briefly, to express satisfaction at the impetus

now being given to political cooperation. In this way the Community can assert itself and play a leading role in the search for a better world. I see Felipe González's hand in this and I can only welcome it. Speaking in Brussels last December he said that European Union would have to rest on three pillars: economic and monetary union, European citizenship and a common foreign and security policy.

5. The strength of our institutions

I have no intention, ladies and gentlemen, of closing my eyes to the difficulties ideas encounter when it comes to putting them into practice. They are countless, and this brief survey of the areas in which the Commission intends to make precise proposals cannot reflect them all. But I assure you that, whether they relate to the formulation or discussion of proposals, or decision-making proper, these difficulties are not insuperable. I am convinced that they can be overcome if the institutions play their part.

The Commission cannot act alone, and cooperation between the Commission and Parliament lies at the heart of the Community method. I spoke just now of the intrinsic importance of this dialogue. I would like to conclude with a few remarks on the subject.

Let me concentrate on just three points.

The first is the nature of our relationship. It has changed. It is closer now and there is an air of trust. This is reflected in the amount of business our two institutions are able to tackle. And I am sure it is to this, in part, that we owe the strengthening of the Community.

The second is the importance and the quality of the work done by your committees. To this I would add cooperation between your political groups and the Commission. This promotes a full exchange of information and fosters frank and open dialogue.

Thirdly, there is the Parliament's democratic legitimacy, which makes it the Commission's principal interlocutor. This is why the Commission attaches such importance to your political role, for it is in this House that the complete spectrum of public opinion finds expression, it is here that issues touching on the Community's future are debated.

For all these reasons the Commission will be taking a keen interest in the ideas that are bound to surface during the forthcoming European election campaign.

The Commission trusts that the campaign will give the ordinary voter a clearer understanding of what the Single Act stands for, of the significance and promise of the European venture in economic, social, cultural and political terms. The campaign must serve to heighten our collective consciousness. Europe is at a crucial stage in its historical development.

For myself, I am convinced that the June elections—by involving voters in the European ven-

ture (Europe is now part of the daily lives of Europeans) and giving them a chance to voice their aspirations—will help to secure a place in history for our shared enterprise.

We must seize the opportunities offered. Because it will be for the people of Europe to enrich, develop and humanize the European venture.

The Commission's programme for 1989

I — Implementing the Single Act

1. The Single Act set out the medium-term objectives which led to revival of the integration process, with the creation of a frontier-free area by 1992 as its main focus. At the same time, it provided the Community with more effective decision-making procedures.

The report sent to the Council pursuant to Article 8b of the Treaty (as amended by the Single Act) charts progress towards completion of the internal market. It confirms the observation of the Hanover European Council that the process is now irreversible. Almost half the decisions planned in the White Paper have been adopted or agreed.

This state of affairs is all the more satisfying in that strategic decisions have been taken on the liberalization of capital movements, the mutual recognition of diplomas and the opening-up of public procurement. However, the delays being encountered in areas such as a people's Europe and taxation, which are essential to the 'balanced progress' referred to in the Single Act, continue to give cause for concern.

The gradual process of attaining the central objective of a single European market cannot be seen in isolation from the other five objectives which, under the terms of the Single Act, are inextricably linked to revision of the Treaty of Rome. The Single Act pinpointed the flanking policies needed to complete the internal market (economic and social cohesion, social policy and environment) and the policies made necessary by the success of the large market (research and technological development, monetary capacity).

Considerable progress has been made in each of these new areas. This would not have been possible had the Community not put its own affairs in order. But there is still a great deal to be done.

2. In setting the goal of economic and social cohesion, the Community sought to substantiate its claim to be more than just a free-trade area with a few financial transfers. It has embarked on a process which will transform it into a common economic area within which its members not only trade and work with each other, but also display greater solidarity, particularly with the less prosperous regions and those most affected by the process of change. Considerable sums of money have been earmarked for this policy (ECU 13 billion by 1992), and reform of the structural Funds, which involves program-

ming assistance and gearing it towards certain objectives, should ensure that the Community's contribution is more effective and more flexible.

3. Adoption of the first framework programme marked an important step in research and technological development policy, even though the funds allocated in 1987, during a period of crisis, fall short of actual requirements. Over 90% of the specific programmes have already been adopted by the Council and Parliament, or proposed by the Commission. The enhanced effect produced by completion of the internal market is now clearly visible in areas such as telecommunications, Community standards for high-definition television and the patentability of biotechnologies.

4. The social dimension was incorporated in the Single Act with the provisions for enhancing the Community's capacity to act in this field by legislation (Article 118a), by agreements (Article 118b), and by the policies linked to its efforts to achieve greater social cohesion. On this basis, the following measures have been taken:

- (i) Six directives have been transmitted to the Council on improving the health and safety of workers (a framework directive and five implementing directives on workplaces, machinery, personal protective equipment, visual display units and heavy loads.
- (ii) The Commission has encouraged the social dialogue at Community level, leading to the adoption of four joint opinions by the two sides of industry on the introduction of new technologies and the need for economic growth which generates more jobs. At the plenary meeting held on 12 January, it was agreed that, in addition to the consultations arising out of the Commission's own efforts, dialogue should concentrate on education and training, and on the prospects for the European labour market as the process of implementing the Single Act continues.
- (iii) It is an integral part of the reform of the structural Funds that the additional resources allocated by the Community to structural policies should be devoted to combating long-term unemployment and assisting the integrating of young people into the workforce.

The Hanover European Council spelled out what was meant by giving a social dimension to the single market, in particular that it must not give rise to social regression and that it must improve living and working conditions for ordi-

nary citizens. In response to the European Council's call for action, the Commission will be proposing the adoption of a charter of social rights, for which it has asked the Economic and Social Committee to produce a draft, and new measures to promote training for people throughout their working lives.

5. Environment policy is also enshrined in the Single Act, even though unanimity is still required on any decision in this field. This requirement reflects the legitimate concerns felt over an issue on which sensitivity varies from one Member State to another. The Commission has taken account of environmental protection requirements in a number of proposals on the internal market, where it has recommended high standards. There have been several successes recently, especially in combating pollution. But the Commission will have to initiate new action as part of an overall programme geared to making environmental protection and all its international implications a matter of priority closely linked with the single European market. These two priorities must be complementary rather than mutually exclusive.

6. The new prospects offered by the Single Act for progressing towards economic and monetary union were given some substance with the Basle and Nyborg agreements, which extended the EMS mechanism and reinforced multilateral surveillance and hence the responsibilities of the Committee of Governors of the Central Banks and the Monetary Committee. The issue was in the limelight again in 1988, with the adoption of the Directive on the liberalization of capital movements. And a further impetus was given in Hanover, with the setting up of the committee to examine and propose concrete stages leading towards economic and monetary union.

7. Work towards achieving the objectives of the Single Act in conjunction with creation of a frontier-free area is well under way. This is more vital than ever before if the Community is to attain the fundamental goal set out in Article 2 of the Treaty of Rome, which pledges the Community 'by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it'.

8. At the same time the Commission will have to tackle a number of other priorities:

- (i) a major effort will be made to revitalize consumer protection policy;
- (ii) substantial progress has been made on freedom to provide transport services by road, sea or inland waterway. The Commission will do its utmost to ensure that similar progress is made throughout the entire transport sector, a vital component of the single European market, while paying heed to social, environmental and safety requirements.

9. The two major ambitions underlying the Commission's work in 1989 will be to consolidate the foundations of the European economic and social area and affirm the Community's identity at home and abroad.

Building on the revival that has occurred between 1984 and 1988, the decisions taken this year in the Community will be of growing importance for the ordinary citizen. This fact highlights the responsibility vested in the four institutions which, together, will be responsible for devising and implementing those decisions. If they are to succeed, they will have to adhere faithfully to the method and spirit that have governed the European venture since its inception.

10. European integration is characterized by two major balances of forces on which the Commission's initiatives in 1989 will continue to rest:

- (i) firstly, competition always goes hand in hand with cooperation. Some of the added momentum for the economy in terms of growth and new jobs which the single European market is expected to generate will be lost unless there is closer cooperation between firms, research centres, regions, and governments themselves, so that full benefit can be derived from the growing complementarity entailed by increased interdependence;
- (ii) secondly, the fundamental diversity of our countries has always been accepted and seen as a source of enrichment for the Community. We must therefore accept that harmonization, which should only be undertaken where absolutely necessary, can never amount to aligning on the lowest common denominator. Similarly, the autonomy of decision-making at whatever level of personal and collective life should be limited only to the extent dictated by the common interest. This principle has a long tradition in the Community: it is called subsidiarity.

II — Progress towards a frontier-free Europe

11. This year the Commission will transmit to the Council the final proposals called for by the White Paper on completing the internal market. It will make every effort to ensure that as many proposals as possible are adopted over the next two years so as to leave Member States enough time in 1991 and 1992 to transpose into national law all the measures required for abolition of the Community's internal frontiers by the deadline set in the Single Act.

The Commission's first priority is, and will remain, to meet the 1992 deadline. To that end, it is essential for all the institutions to act in strict accordance with the letter and spirit of the Single Act.

The Council will have to speed up its decision-making. The impetus which has been created in those areas where qualified majority voting is possible is extending beyond the cooperation procedure, thereby facilitating decisions on such important issues as the free movement of capital. However, this impetus has not extended to areas in which unanimity is still required, notably taxation and the free movement of persons. In this latter field, solutions must progressively be found if, as was emphasized in the Commission's recent report required by Article 8b of the Treaty, it is not to become 'increasingly difficult to explain to the citizens of Europe why such effort is being made to enable goods to move freely across frontiers while no such equivalent effort is made for people'.

With elections coming up again in June of this year, Parliament will have a vital role to play, particularly under the cooperation procedure, in ensuring that the programme for creating a frontier-free area is completed and in contributing to better legislation. These elections will undoubtedly enable it to give an impetus to a frontier-free Europe whose popular appeal is growing every day.

The Commission also hopes that it can finally make use of the clear and trustful delegation of implementing powers provided for in the Single Act, which is so necessary for the balanced operation of the institutions.

Priority areas

12. At its meetings in Hanover and Rhodes, the European Council designated priority areas in which decisions would have to be taken in 1989.

Abolition of physical frontiers

13. The Commission intends to place special emphasis on making real progress in abolishing physical frontiers, particularly where individuals are concerned. This will have to go hand-in-hand with a tightening of controls at external frontiers and improved cooperation in the fight against terrorism, drug trafficking and crime. By way of preparation, measures will have to be taken to align legislation on such things as immigration and the right of asylum. The steps taken by some Member States to relax controls, notably under the Schengen Agreement, have not produced tangible results for Community citizens except in the case of car travel on major motorways. The continued systematic identity checks on trains or at airports for intra-Community journeys seem to be increasingly at odds with the growth in travel, whether for business or pleasure, especially as the Community itself is seeking to promote or even organize such travel (for example, Erasmus, etc.).

The issues connected with the free movement of persons pose a procedural problem owing to the many different bodies or departments involved within each Member State (Ministries of the Interior, Foreign Affairs, Justice, Social Affairs) and internationally (Community, political cooperation, Ministers for Immigration, the Trevi Group, the Pompidou Group, the Schengen Agreement).

Following the European Council's decision in Rhodes that each Member State should appoint a person responsible for coordinating matters connected with the abolition of checks on individuals at Community frontiers by the end of 1992, it is necessary to ensure that:

- (i) each Member State rapidly appoints a senior official;
- (ii) the regular meetings of those officials do not serve as yet another forum for discussion but are used to coordinate all Community and intergovernmental work and for preparing a report for the European Council meeting in Madrid containing:
 - (a) an indication of the main measures to be taken,
 - (b) a programme for coordinating decisions by the relevant Community or intergovernmental bodies with the aim of reducing the number of such bodies,
 - (c) a precise timetable for the adoption of the measures.

Taxation

14. While all the direct legislation necessary for the full liberalization of capital movements has now been passed and will be completely in force by July next year, it needs to be supplemented by legislation on the taxation of income from savings. As required by the Council Directive of 24 June 1988 on the complete liberalization of capital movements, the Commission will submit to the Council proposals aimed at eliminating or reducing risks of distortion, tax evasion and tax avoidance linked to the diversity of national systems for the taxation of savings and for controlling the application of those systems. The Council is to take a position on these proposals by 30 June.

15. It is essential that irreversible progress be made this year towards the harmonization and closer alignment of indirect taxation. The Commission remains convinced that there is no way the objectives of the Single Act, and in particular the dismantling of internal frontiers and associated controls, can be achieved without removing the tax reasons for controls. Time is running out. It is clear that the present range of tax rates is too wide to avoid distortions arising when borders are removed. Rates therefore need to be brought closer together. There is also a large measure of agreement that essentially the system should have two rate bands. The Council and the Commission must devise a procedure for speeding up this work on the basis of the report which the Economic Policy Committee has drawn up on the Commission's August 1987 package. The discussions will need to reconcile differences concerning in particular the level of rates and the amount of flexibility that should be allowed and to provide the desired clarifications of the Commission's proposals for a clearing-house system.

16. In the field of company taxation the Commission is planning to publish a general communication, which will deal in particular with the tax base and the tax system.

There is an urgent need for the Council to adopt the three proposals now before it aimed at eliminating double taxation of associated companies in different Member States; they concern:

- (i) the tax treatment of mergers and divisions;
- (ii) the treatment of parent and subsidiary companies;
- (iii) an arbitration procedure covering transactions between associated companies.

Public procurement

17. The Commission has already made proposals on the opening up of public procurement in excluded sectors and others designed to tighten supervision of compliance with the tendering rules. In 1989 these proposals will be supplemented by others dealing in particular with services and regional preference.

Banks and financial services

18. The Commission's approach to creating a Community-wide market for financial services is based on three principles: harmonization of essential prudential requirements, mutual recognition by the supervisory authorities of all the Member States and, wherever possible, supervision and control by the home country's authorities. The immediate objective is passage of the 14 proposals now before the Council. Supporting legislation on capital adequacy will be brought forward in the next few months, to join the recent proposal on investment services. It is also necessary to complete the passage of the legislation on non-life insurance and to press ahead rapidly with work on the recent proposal for a second Directive on the provision of life assurance services and on motor-vehicle insurance. The Commission will be bringing forward proposals on group insurance and the extension of the non-life insurance rules to mass risks.

Closer alignment of technical standards

19. Turning to standardization, the general obligation to notify proposed national technical rules will come into force in 1989, paving the way for the systematic prevention of infringements. Implementation of the new system will need to be given top priority. The first Council decisions under the new approach to technical harmonization must be followed by other important decisions on machine safety, mobile plant and metrology. But the Council must above all define the main features of a policy on the recognition of tests and certificates early in 1989.

In the agri-foodstuffs sector, the Commission, in addition to finalizing the basic proposals on additives, materials in contact with food, dietetic foods, food and nutrition labelling, and irradiated products will have to embark on management of the new approach by formulating proposals to implement the additives Directive.

In the pharmaceuticals sector the rapid progress being made on Community harmonization will lead to consideration being given to the need, in the interests of European companies, for a Community authorization system for placing pharmaceutical products on the market. In cases where fair treatment so requires, measures will be taken to harmonize minimum quality standards.

Intellectual property

20. All the proposals on rules on intellectual property are now before the Council, whether they concern the Community patent or trade mark or the specific rules applicable to biotechnology products or software. They can therefore be acted on without the need for any new initiatives, except in the case of pharmaceutical products, where such a need may arise in the light of the discussions under way.

Statute for a European company

21. Another vital topic is the new legal possibilities to be opened up by the creation of a European company. Within the next few weeks the Commission will present a fresh proposal for a regulation on the statute of this form of company, which will take account of the opinions and comments it has received from the other institutions and from both sides of industry, as announced in its memorandum of June 1988.

Other areas

22. The abolition of physical checks on the movement of animal and crop products involves a harmonization effort which must be speeded up to compensate for accumulated delays. The Commission feels that no exceptions to the liberalization of trade in this sector can be tolerated on 1 January 1993. Hence, the effort to eradicate diseases must be intensified, and harmonization must go ahead, particularly in matters where it is likely to facilitate the free movement of products. The Commission will this year present the majority of the proposals still outstanding. It will also continue its work on the arrangements for imports of products from non-member countries.

The need to make certain checks must not become a pretext for maintaining physical frontiers beyond the periods laid down. The possi-

bility of delegating part of the duties involved in making such checks will be studied.

23. One consequence of the abolition of internal frontiers is that checks and formalities conducted at external frontiers in trade with non-member countries should be valid for the entire Community and that Member States should no longer be free to intervene at a later stage to subject goods moving freely within the Community to further controls. A special effort will therefore be needed in 1989 to press ahead with the Community customs code designed to ensure uniform application of customs rules and procedures by national authorities. The overall aim must be to ensure efficient, uniform and consistent functioning of the customs union. The Commission will be producing an inventory of the tasks to be undertaken by the union and further activities to be launched with an eye to 1992 (transit, nomenclature, etc.).

As far as internal frontier formalities other than those affecting individuals are concerned, transport controls, statistical controls and export controls on Cocom products must be eliminated. The Commission for its part will have to pursue its policy of limiting authorizations to conduct checks on products subject to Article 115. Proposals will have to be presented or concrete initiatives taken to accompany the phasing out of these authorizations or alternatively to allow for the introduction of Community measures.

24. At the same time efforts will be continued to secure adoption of the legislation on the structure of companies and on cross-frontier mergers. Other work on the publication of the consolidated accounts of groups and of the accounts of branches will be speeded up. Finally, this year will see the entry into force of the regulation on the European Economic Interest Grouping. The Commission will mark the occasion with a conference in Brussels in April.

Competition

25. Competition policy is designed to ensure that anticompetitive arrangements between enterprises or selective State intervention in the economy do not impede the dismantling of legislative and regulatory barriers to trade between Member States, this being essential to the institution of a system ensuring that competition in the common market is not distorted. The ultimate aim is that markets should be open to competition and that they should remain so, thus providing the most efficient allocation of resources, leading to innovation and competi-

tiveness in European industry and maximum consumer welfare.

In pursuing this aim, the attention given by the Commission to arrangements between enterprises will continue to focus on two aspects: first, the need to encourage the various forms of industrial cooperation facilitating economic development and the adaptation of market structures, and secondly the need to prevent and punish restrictive practices and abuses which undermine the establishment of a genuine and open single market.

The major remaining gap in the Community's competition legislation is the lack of a proper instrument for merger control. In the run up to 1992, and even more so thereafter, enterprises must know what are the rules applicable to mergers with a Community dimension and be able to obtain a rapid and final pronouncement from one competition authority for the whole Community. With this end in view, the Commission will also pursue its work on drawing up guidelines for applying the competition rules to joint ventures. A notice on commercial agency agreements will be issued during the year, embodying the conclusions of work done in 1988.

The Commission will step up implementation of competition policy in the regulated services sectors including telecommunications, transport, energy supply and financial services.

As regards telecommunications, the Commission will ensure the speedy application of its Directive liberalizing terminal equipment markets. It will adopt a second Directive aimed at liberalizing markets for telecommunications services. It will lay down guidelines for applying the competition rules to practices by private and public enterprises operating on those liberalized markets. The Commission will also pursue work on the insurance industry, and consider the possibility of a new block exemption to facilitate the development of an open market. In the energy field, the Commission will seek to ensure that the principles of the single market are implemented. It will continue its efforts to secure gradual liberalization of air transport by presenting new proposals. It will also proceed with its work on the adjustment of State monopolies of a commercial character in Spain and Portugal.

The process of creating a single market increasingly requires that economic agents be in a position to compete on fair terms. State aid policy must contribute to this and serve to underpin the economic and social cohesion of the Community and the development of sectoral policies such as fisheries and transport. Following publication in

December of its first report on State aid, which is to be updated regularly and will cover general fiscal and social measures as well as State aid proper, the Commission will seek to maintain the greatest possible measure of transparency in this area, and will step up its enforcement activities. It will give priority to ensuring compliance with its existing sectoral and general aid codes; applying the guidelines on aid to the motor industry; the question of aid in the energy sector; reviewing certain regional aid schemes; and improving the monitoring arrangements applicable to the combination of aids with different policy objectives and to State guarantees.

Transport

26. Where inland transport is concerned, the progress made in June 1988 on the road haulage market after 1992 must be matched in 1989 by similar progress on road passenger transport, inland waterway transport, combined transport and the operation of national transport services within a Member State by non-resident carriers. In each of these areas the Commission is counting on the Council and Parliament to adopt the specific measures it has proposed over the last three years.

The Commission will build on its efforts to guarantee freedom to provide services and eliminate distortions of competition by submitting additional proposals on the harmonization of the weights and dimensions of goods vehicles. It will shortly be submitting the proposals it promised in November 1988 on the establishment of a uniform system of commercial vehicle taxation. The Commission also attaches priority to improving the competitive position of the railways through more efficient management so that railway companies can operate effectively in the context of the single market.

The Commission will propose a common approach to relations between the Community and non-Community countries in the inland transport sector.

27. Where civil aviation is concerned, there is still a great deal to be done if this sector is to be liberalized in 1992. Over the next few months the Commission will be submitting new proposals on fares, capacity and market access. Following on from the decisions adopted in 1987, it will therefore embark on the second stage of the common policy in preparation in this area. The list of airports still excluded from certain air transport liberalization provisions must be reduced. The travelling public in the

regions served by these airports must also reap the benefit of liberalization and increased traffic and tourism. Scheduled passenger flights should not be the only flights to be covered. The Commission will also urge the Council to take appropriate steps to reduce the problems of air traffic congestion and promote the efficient use of airspace. The Commission will also submit new proposals designed to protect users (airworthiness requirements, airport charges, etc.) and harmonize airlines' operating conditions. As another contribution to the elimination of distortions of competition, the Commission will be proposing the harmonization of rules concerning compensation between airlines in the event of denied boarding.

The Commission will propose a common approach to relations between the Community and non-Community countries.

28. Where shipping is concerned, the Commission will submit an action programme designed to help Community shipowners weather the crisis now besetting the industry, and strengthen their competitive position.

The Commission will also propose much tougher quality controls for vessels using Community ports, so as to ensure high safety and social welfare standards, and to protect the environment.

New proposals will also be submitted on the recognition of technical and safety provisions.

29. Implementation of the common transport policy and its contribution to the single European market also depends on adequate attention being paid to the external aspects. The Commission will endeavour to bring the negotiations with Austria, Switzerland and Yugoslavia to a successful conclusion in 1989 to find a lasting solution to the problems of Community transit through these countries. The Commission will look in greater detail at the external implications of the single market with a view to establishing common rules for relations with non-Community countries in the transport sector. It will also submit appropriate proposals to ensure that freedom to provide services is guaranteed.

30. The social side of the transport policy should be strengthened this year in the context of preparations for 1992 and the social dimension of the single European market. The Commission will be submitting proposals designed to harmonize social conditions in the transport sector and to facilitate the mutual recognition of civil aviation and shipping diplomas and certificates. It will continue to press the Council to

adopt common additional rules on driving time and rest periods for lorry drivers.

31. The Commission considers it vital that the Council agrees to the development of a policy on Community infrastructures to increase the beneficial effects of the single market and strengthen internal cohesion.

Energy

32. The Commission's spring 1988 report on the internal energy market has been examined by the Council, which has endorsed the overall approach advocating that progress should be striven for in the various action areas proposed. The Commission will continue its efforts in this direction and before the end of the year will submit proposals on the various matters which have been assigned priority.

In particular, work this year will focus on the transparency of prices charged to large electricity and natural gas consumers, the need to strike a balance between energy policy and environmental protection, the alignment of technical rules and standards specific to the energy market, common carriage in relation to gas and electricity, and obstacles to transfrontier electricity transfers. In addition, the Commission will take a close look at the present national arrangements as regards State aid, exclusive rights and monopolies and possible barriers to intra-Community trade in energy, including existing specific agreements. Furthermore, energy policy should make a contribution to the Community's economic and social cohesion: the role of energy infrastructure in this context will be analysed.

33. The Commission will continue to implement its policy on energy efficiency. It will keep up its efforts to ensure implementation of its proposals on matters such as information on the energy consumption of household electrical appliances, the energy certification of buildings, optimum energy management in industry and greater efficiency in the use of electricity.

The Commission will also step up its efforts to encourage the development of renewable energy sources and will submit detailed proposals to remove barriers to the commercial exploitation of these energy sources. In addition, the Commission will be submitting a new programme designed to ensure the development and promotion of highly innovative energy technologies. This will be phased in with the R&TD framework programme.

34. The Commission will update the illustrative nuclear programme adopted on 22 November 1984 to take account of the openings created by the single European market. Where the carriage of radioactive materials is concerned, the Commission will draw up a Com-

munity action programme designed to ensure that the practical implementation of international rules is consistent with the objective of the single European market. It will also draw up a preliminary report on the operation of Euratom safeguards in 1988.

Internal market

Physical frontiers

Goods

- Communication aimed at helping national and Community customs authorities prepare for the operation of the customs union in 1992, with an exchange and training programme for customs officers
- Proposal for a regulation to establish a Community Customs Code for 1992
- Continuation of work and various proposals relating to the operation and development of Taric (Community integrated tariff) database systems, link-up of Community quota management systems, computerization of customs procedures (CD project and Caddia (system of automatic documentation on imports, exports and agriculture))
- Proposal for a change in the rules regarding customs information requirements to ensure uniform application of tariff measures for 1992
- Proposals for adjustments to customs union rules for the purposes of the single market (transit, revised classification of economic activities in the Community, etc.)
- Various proposals envisaged in the White Paper concerning animal and plant health measures (alignment of plant health rules with non-member countries, certification of fruit plant propagating material, responsibility for plant health, tightening up of checks for pests, animal disease eradication schemes, protection of animals in international transport, veterinary inspection for trade not covered by existing directives, etc.)
- Initiatives relating to the abolition of authorizations controlling trade in products subject to Article 115
- Start-up of the statistical programme 1989-92

Persons

- Establishment of a coordinating structure in line with the conclusions of the Rhodes European Council:
 - Intensification of cooperation on checks at the Community's external frontiers
 - Intensification of efforts to combat drug trafficking

Technical barriers

Standardization and harmonization

- * Implementation of Directive 83/189/EEC and proposal for an amendment to improve the operation of notification procedures

- Communication on the development of a Community policy on certification and testing
- * Various proposals in the standardization field (lifting and loading equipment, active medical appliances, flammability of furniture, fire extinguishers, used machinery, etc.)
- * Harmonization proposals relating to motor vehicles, chemical products (fertilizers, detergents, dangerous substances and preparations, etc.), etc.
- * Proposals relating to management in the agri-foodstuffs and pharmaceuticals sectors

Public contracts

- * Proposal for a directive opening up public procurement in priority service industries
- * Proposal for a directive amending for the second time the directive on public works contracts
- Measures relating to regional preference in public procurement

Freedom of movement of workers and members of the professions

- * Proposal for a directive setting up a general system of mutual recognition of studies and qualifications
- Final report on access to employment in the public sector (Article 48(4) of the EEC Treaty) (teaching in public establishments, administration of commercial services, non-military research in public establishments, public health services, etc.)
- Continuation of efforts to secure early adoption of the proposal for an amendment to Regulation (EEC) No 1612/68 on freedom of movement for workers within the Community and of the proposal for an amendment to Directive 360/68/EEC on the abolition of restrictions on movement and residence within the Community for workers of Member States and their families

Financial services

Banks and other credit institutions

- * Continuation of efforts to secure adoption of the proposals for a second banking coordination directive, a directive on own funds, and a directive on solvency ratios
- * Proposal for a recommendation on the transparency of banking conditions
- * Proposals for a directive on large exposures and for a directive on deposit-guarantee schemes
- * Proposal for a directive on consolidated supervision of credit institutions (amendment to Directive 83/350/EEC)

Insurance

- * Preparation of a proposal for a directive to facilitate the effective exercise of freedom to provide services in respect of life assurance (groups)
- * Proposal for a directive on non-life insurance (mass risks)

Stock exchanges and securities

- * Proposal for a directive on capital adequacy in the field of investment services (to supplement the recent proposal on investment services)

- Continuation of efforts to secure adoption of the proposal for a directive on insider trading
- * Proposal for a directive to facilitate mutual recognition of listing particulars for the admission of securities to official stock exchange listing

Capital movements

- Proposal for a directive on tax measures to accompany the liberalization of capital movements

Company taxation

- Proposal for a directive on the harmonization of rules for determining the taxable profits of companies and a communication on company taxation
- Proposal for a directive concerning the institution of a mutual assistance procedure for the enforcement of direct tax liabilities

Creation of an environment favourable to business cooperation

- * Amended proposal for a regulation on the statute for a European company
- Continuation of efforts to secure adoption of the pending proposals on company law (10th directive on cross-border mergers, 13th directive on takeover bids, etc.)
- Application in the Member States of the regulation on the European Economic Interest Grouping

Clarity in the law

Communications (Article 30 EEC) on the improvement of the information available to businessmen as regards the elimination of checks and formalities at borders regarding goods, free movement of works of art, CB radios, etc.

Tax frontiers

- Proposal for a directive on links between national warehouses for the storage of goods subject to excise duties
- Proposal for a directive on the abolition or reduction of excise duties not covered by the common system and giving rise to border formalities
- Proposal for a directive on the VAT arrangements applying to passenger transport
- Proposal for a VAT clearing system

Agri-monetary matters

- Proposal for the complete dismantling of MCAs by the end of 1992

Competition

- Continuation of efforts to secure adoption of the amended proposal for a regulation on merger control

- Notices on the application of the competition rules to joint ventures and agency contracts (updating of the 1962 notice)
- Study of a new block exemption in the insurance field
- Development of competition policy in the air transport sector
- Adoption of new measures to liberalize the market in telecommunications services: publication of a notice on the application of the competition rules in telecommunications
- Measures on competition in the internal energy market (gas and electricity)
- Continuation of the adjustment of State monopolies of a commercial character in Spain and Portugal
- Continuation of work with existing State aid codes, application of the guidelines on aid to the motor industry and review of certain regional aid schemes
- Completion of the inventory of aid measures in the Community

Transport

Inland transport

Freedom to provide services

- Proposal for a regulation on the increase in the quota of Community authorizations for 1990, 1991 and 1992 for the carriage of goods by road between Member States (Regulation No 1841/88)
- Proposal for a regulation on the fixing of rates for the carriage of goods by road between Member States
- Proposal for a regulation (no discrimination between Community carriers) concerning freedom to provide road haulage and inland waterway transport services between Member States and non-Community countries

Distortions of competition

- Proposal for a directive setting out the detailed rules for the implementation of the principle of territoriality in the charging of transport infrastructure costs to heavy goods vehicles
- Proposals for further harmonization as regards the weights and dimensions of road vehicles
- Continuation of the transport negotiations with Austria, Switzerland and Yugoslavia with a view to the signing of an agreement in the course of the year

Civil aviation

Second stage concerning fares, capacity and market access

- Proposal to amend Directive 601/87 to liberalize fare-setting arrangements in civil aviation
- Proposal to amend Decision 602/87 concerning market access and capacity control

Operating conditions, distortions of competition

- Proposals to harmonize denied-boarding compensation rules and to impose flying-time limits
- Proposal to harmonize airworthiness requirements
- Proposal for a decision on common action on air traffic rights regarding non-member countries

Shipping

- Communication concerning improvements in the competitiveness and in the operating conditions of Community shipping companies
- Proposal concerning the mutual recognition of vessels' technical equipment and vessel inspection procedures

Social measures

- Coordination of the efforts of the Member States' maritime authorities concerning 'Port State control' (compliance with international standards on safety at sea, working conditions on board, etc.)
- Proposals for directives on the mutual recognition of licences, diplomas and qualifications in air and sea transport

Transport safety

- Proposal to amend Directive 77/143/EEC on the roadworthiness testing of motor vehicles
- Proposal for a directive making it compulsory to have restraint systems for children under 12 years of age
- Proposal for a regulation setting minimum standards for vessels entering or leaving Community ports carrying dangerous goods in packages
- Proposal for a regulation to improve the control of road vehicles carrying dangerous goods

Energy

- Internal energy market: continuation of the work relating to:
 - Intra-Community trade in gas and electricity and conditions of competition in the energy sector (carriage of gas and electricity, obstacles to crossborder transfers)
 - Outlying regions and energy infrastructure
 - Review of the Community system of security oil stocks
- Proposal for a text on energy price transparency
- Report on the cost structure in the coal industry and on commercial policy in relation to coal
- Communication on the use of natural gas in power stations
- Action programmes concerning energy management, energy efficiency and use of renewable energy sources

- Proposal for a regulation to promote energy technologies in Europe
- Report on the operation of Euratom safeguards in 1988
- Revision of the indicative programme for the nuclear industry

Main proposals pending

Internal market

- Rules on veterinary inspections in intra-Community trade
- * Intra-Community trade statistics (I)
- * Machine safety (III)
- * Veterinary medicines (III)
- * Personal protective equipment (II)
- * Nutrition labelling (I)
- * Public works contracts (strengthening of basic Directive) (III)
- * Opening-up of public procurement in excluded sectors (water, transport, energy, telecommunications) (I)
- * Public procurement (means of redress) (II)
- * Protection of biotechnological inventions (I)
- * Protection of software (I)
- * Own funds of credit institutions (II)
- * Solvency ratios of credit institutions (I)
- * Second directive on banking coordination (I)
- * Annual accounts and consolidated accounts of insurance undertakings (I)
- * Access to and freedom to provide services in the life assurance sector (I)
- * Investment services accessible to the public (I)
- * Insider trading (II)
- * Free movement of workers and abolition of restrictions on workers and their families moving within the Community (amendment to Regulation No 1612/68 and Directive 360/68) (I)
- * Mergers and divisions (I)
- * Parent companies and subsidiaries (II)
- Arbitration procedures
- * Structure of public limited companies (II)
- * Cross-border mergers (I)
- * Annual accounts of companies (II)
- * Takeover bids (I)
- * Acquisition and possession of weapons (I)

- VAT and excise duties (August 1987 package)
- Merger control

Transport

- Transport infrastructures of European interest
- Freedom to provide road haulage services (cabotage)
- Charging of infrastructure costs in inland transport
- Road safety (safety belts, blood alcohol levels, speed limits, driving licence)
- Freedom to provide services in maritime transport (cabotage)
- Air traffic congestion

Energy

- Energy efficiency of buildings

Key to stage reached by proposal

*: Proposal subject to the cooperation procedure

I: Proposal awaiting first reading by Parliament

II: Proposal awaiting the Council's common position following first reading by Parliament

III: Proposal awaiting second reading by Parliament following receipt of the Council's common position

IV: Proposal nearing end of procedure following second reading by Parliament

III — Development of an integrated economic and social area

Macroeconomic policy cooperation in the pursuit of stability and growth

35. Growth in Member States' economies was buoyant in 1988, matching the performance of the most dynamic economies elsewhere in the world. As expected, the expansion in internal demand in the Community as a whole (4%) made a substantial contribution to the growth in world trade; in volume terms, the increase in Community imports exceeded that in exports by a margin of 1% of Community GNP.

This buoyancy has several causes, both internal and external. Within the Community, the structural effects of the stabilization measures taken since the beginning of the 1980s, the anticipatory behaviour of businesses in the face of the opportunities opening up in the large integrated market, and improved macroeconomic policy consensus and coordination were all major factors.

36. The achievements of this concerted management of macroeconomic interdependences must be preserved and, where possible, built upon in 1989. By and large, the short-term prospects for the world economy remain positive in early 1989 with the volume of world trade expected to grow by around 6% (compared with 7.5% in 1988). In some respects, however, there are continuing hazards, linked to the persistence of the major external financial imbalances that are the external indebtedness of the United States and that of certain developing countries. The exchange-rate instability of the major currencies and the increase in real interest rates are constant reminders of this threat.

Given this context, macroeconomic policy coordination will aim both to maintain stability within Member States and to achieve on that basis the strongest possible growth rate permitted by the situation in each Member State. The Commission's specific contribution to the success of such coordination in 1989 will be in three areas:

(i) It will work to reinforce the consensus on which complementarity between the general economic policies pursued in each Member State depends. The broad lines of this consensus have been set out in the annual economic report adopted by the Council in December 1988. They relate to: price stability and the convergence of inflation rates; the medium-term compati-

bility of payments balances; and the contribution of internal and external stability to the growth and employment objectives of the Community and the Member States.

(ii) The Commission will help to strengthen monetary cooperation by taking part in the deliberations of the Committee of Central Bank Governors and the Monetary Committee; on the basis of the 1987 Basle and Nyborg agreements, it will supply the analyses and macroeconomic indicators necessary for the operation of the mutual surveillance system for concerted action to deal with external currency upheavals and for the safeguarding of internal stability at the lowest possible level of national interest rates. In the context of the five-year review of the composition of the ecu, the Commission will also place before the Council proposals for achieving the greatest possible stability of the ecu.

(iii) Implementation of a new common policy to remedy the structural backwardness of certain regions will form part of the strategy for balanced economic growth throughout the Community. The Commission will improve the quality of macroeconomic policy coordination by taking into account the expected medium-term macroeconomic effects of regional policies in the Community.

37. The establishment in 1990 of the basis for a European financial area through the removal of all obstacles to capital movements will require fresh progress on monetary cooperation, building directly on what has already been achieved through the Basle and Nyborg agreements, and in the field of closer alignment of taxation on savings.

38. Moreover, the European Council in Hanover decided to entrust a committee chaired by the President of the Commission with the task of studying and proposing concrete stages leading towards economic and monetary union. The committee will present its report to the Heads of State or Government at the end of April.

Economic and social cohesion

39. The Single Act's aim of economic and social cohesion reflects a solemn commitment: the Community is to be more than a mere free-trade area with a few financial transfers; it has embarked on a process of building a common economic area.

In the context of economic and social cohesion, implementation of the Single Act required, first of all, reform of the Community's back-up policies, notably those involving the structural Funds. All the new rules for the structural Funds came into force on 1 January 1989. The coming year will be a vital test for implementation of this reform, and thus a challenge to the Commission and national and regional governments.

The main features of the new system are as follows.

Assistance from the three structural Funds now concentrates on five priority objectives: development and structural adjustment of regions with a development lag (Objective 1), the conversion of regions and areas badly affected by industrial decline (Objective 2), attack on long-term unemployment (Objective 3), better occupational integration of young people (Objective 4) and the two aspects of the adjustment of agriculture: adjustment of agricultural structures (Objective 5a) and development of rural areas (Objective 5b).

Following the decisions of the European Council meeting in Brussels on 11 and 12 February 1988, the overall commitment appropriations allocated to the Funds will be increased every year, doubling in real terms between 1987 and 1993. This increase, combined with greater concentration of operations on regions and areas experiencing the most severe problems, should boost the economic impact.

New arrangements have been introduced for the Community's structural assistance operations: there is to be 'partnership' between the Commission and regional and national authorities. Thus, the various parties involved must reach agreement on a policy framework prepared by the Commission, on the basis of plans submitted by the Member States, which will set out the Fund's assistance operations, over a given period, in a specific region or in favour of a specific group of people. Once this 'Community support framework' has been agreed to, it is much easier to vet the various types of operation proposed, in particular in the form of operational programmes, thereby ensuring the mutual consistency of the Funds' operations in the field.

The rules for managing the Funds have been simplified and harmonized.

The Commission is therefore now facing two major challenges:

- (i) first of all, the changeover from the old to the new system in 1989 will have to be closely monitored in the light of the regu-

lations and also from a management angle, so as to avoid any delays in applying the new rules;

- (ii) secondly, if partnership is to be fully effective, both the Member States' regional and national governments and the Commission's departments will have to adapt their working methods, to eliminate compartmentalized practices incompatible with the new approach, and to involve businesses and associations more closely in programming and monitoring structural assistance measures.

40. The Commission will draw up the initial list of eligible areas covered by Objective 2 and will decide on the indicative allocation between Member States of 85% of the ERDF's commitment appropriations for a period of five years.

Multiannual schemes already under way, including measures under integrated Mediterranean programmes and integrated operations, will be continued.

The Commission will consider whether it is possible, in the framework of the new arrangements for Community structural assistance introduced by the reform of the structural Funds, to take steps to encourage links between structural assistance and R&TD aims, with a view to improving productivity. It will also consider steps to promote linkage between regional development and the Community's environmental objectives, with a view to helping less-favoured areas take action to protect and improve the environment while encouraging economic development. It will also examine the case for other initiatives focused on areas affected by restructuring in declining industries, including coalmining.

The Commission will also continue its dialogue with regional and local authorities within the framework of the Consultative Council of Regional and Local Authorities, which met for the first time in December 1988.

Social dimension

41. As the Commission pointed out in a recent working paper on the social dimension, the large market engenders the need to promote intra-European occupational mobility which is too low at present. This is a key factor in the single market. The Commission will endeavour to complete the process ensuring the practical exercise of freedom of movement for workers and freedom of establishment. Restrictions due to

the continuing existence of impediments in this area must be eliminated. The new conditions for mobility brought about by the prospect of the large market alter the context in which legislation was drawn up in the 1960s and 1970s. The Commission hopes that its recent proposals revising the 1968 instruments on the freedom of movement of workers and the elimination of restrictions on the movement and residence of workers and their families within the Community will be adopted soon. Progress made in 1988 towards the recognition of higher education diplomas (a minimum of three years' study) must take another step forward. The Commission hopes for rapid adoption of the directive it is about to propose for the establishment of a system of recognition for vocational training and qualifications, based on the principle of mutual confidence between the Member States. The Commission is prepared to propose an instrument to this effect. This would complement the measures needed to improve the labour market transparency as regards training and qualifications acquired in the Member States and represent an extension of work being done on the equivalence of qualifications.

42. Action backed by the structural Funds (notably in relation to Objectives 3 (the fight against long-term unemployment) and 4 (the occupational integration of young people)) will not be enough to control the changes that will be brought about by the frontier-free market. Its dynamics will exert more pressure on competition, and uncover sectoral weak points, and regional differences, which are likely to lead to the polarization of trends in regions enjoying cumulative growth and those suffering decline. As a result of the single market process, economic and social sectors will need to develop appropriate strategies to exploit the potential benefits of this movement, by grasping opportunities and correctly assessing the social implications. The Commission considers that it is necessary to anticipate and make specific provision for these changes by planning for the future and making an analysis of employment prospects, (new) occupations, (new) qualifications and specializations while promoting the harmonization of technical rules and standards, especially in the field of hygiene, safety and health.

43. The Commission will endeavour to raise the level of training standards. The promotion of continuing training and the acceleration of the occupational integration of young people will form the main axes of its initiative. The Commission will propose the establishment of the right to training leave, the implementation

of an action programme in the field of adult training in firms and a second stage in the Eurotinet programme for the promotion of occupations in new information technology.

44. This year the Commission will also seek to promote the progressive harmonization of measures to improve health and safety at work. In particular the Commission proposes to go beyond the seven directives proposed in 1988 which include the proposal for a framework directive on the use of machines by workers. It proposes to tackle specific high-risk sectors (safety signs at the workplace, construction, etc.). At the same time the measures under discussion on the protection of workers from risks related to exposure to dangerous substances (carcinogenic, biological substances, etc.) should enter into force.

45. Another key feature will be the new proposal for the European company statute which will offer a number of models for worker participation in the management of firms opting for that legal form.

46. Action by the Community represents a response to the intransigent problem of unemployment in the 12 Member States. However, the benefits of the single market and the impact of the flanking policies cannot guarantee the rapid absorption of unemployment. The existence and likely development of variables in the Member States' labour markets, the collection and dissemination of information and the evaluation of Member States' employment policy measures are areas in which the Commission will actively pursue its work with a view to identifying the skills and opportunities that could become accessible to Europeans at Community level. In particular the Commission will report on the local employment development initiatives carried out since 1986. The Commission will implement the programme for long-term unemployed workers prepared last year following the Council Resolution of December 1986 to establish a Community approach to this problem based on experience in the Member States. Similarly, it will assess the progress of the medium-term programme 1986-90 on equal opportunities for women and will put forward proposals for the future.

47. At the same time, the trend towards integration must be supported. The new internal market must not be left to fend for itself in the absence of action to direct the process of change, and without appropriate means of economic and social regulation to ensure that the process will be durable and stable and will promote growth.

The objective should be to pursue a European system of industrial relations by setting up dynamic mechanisms to ensure the harmonization and convergence of economic and social forces. For its part, the Commission will pursue its efforts to ensure complementarity between public legislative action and autonomous action by labour and management, while maintaining balanced relations between the two via the social dialogue so that the diversity of practices and social traditions can be managed and the advantages of the Community can be exploited.

48. By promoting this dialogue, by improving it in response to the concerns of some and the aspirations of others, the Commission has set itself the goal of ensuring that increased competitiveness between firms and stronger growth

with more job creation potential is accompanied by social progress. It notes in particular, that the economic and social groups — both employers, workers and their organizations — need a clear message on the fundamental values the Community is seeking to promote. The Commission has accepted the opinion of the Economic and Social Committee delivered last month and will propose the adoption of a Community charter on fundamental social rights (social protection, social dialogue, collective bargaining, employment contracts, health and safety of workers, continuing education, equality for men and women at work, information and consultation of workers, etc.). Essentially the charter will be an expression of the European concept of society, social dialogue, and individual rights on the labour market.

Economic and social area

Back- policies

- Implementation of structural reform:
 - Guidelines for Objectives 1 and 2
 - Guidelines for Objectives 3 and 4
 - Guidelines for Objectives 5a and 5b
 - Technical assistance to Member States in the preparation of development and conversion plans; establishment of Community support frameworks; action under the Funds and other instruments, mainly in the form of operational programmes; assessment and monitoring
- Measures to assist islands and remote areas
- Continuation of the Resider (back-up to steel restructuring), Renaval (back-up to shipbuilding restructuring) and Pedip (industrial development in Portugal) programmes; start-up of Poseidom (islands and remote areas) and Medspa (Mediterranean and environment) programmes
- Second phase of the 27 integrated Mediterranean programmes, and report
- Further studies for major transport infrastructure projects of Community interest
- Continued dialogue with regional and local authorities
- Start-up of the statistical programme 1989-92

Macroeconomic coordination and monetary cooperation

- Communication on the economic situation, in March; communication on the coordination of budgetary policies, in June; draft annual economic report 1989-90, in October
- Application of the multilateral surveillance procedure to maintain coherence between the economic policies of the countries participating in the EMS
- Further efforts to expand the private use of the ecu by banks and firms; generalized use of the ecu in Community budgetary operations; greater participation in the secondary ecu market, in the form of permanent and dynamic trading in ECSC liquidity holdings; development of new forms of ecu borrowings; greater use of the ecu in the collection of the ECSC levy

- Discussion of the report of the Committee set up by the Hanover European Council to propose practical steps towards economic and monetary union

Small businesses

Creating a favourable environment

- Proposal for a four-year plan to improve the business environment and promote small businesses, in the Community
- Communication on the establishment of small business data bases
- Recommendation on the taxation of businesses (transfers, change of legal form of businesses, sale or granting of patents and know-how)

Promoting businesses

- Further work on other aspects such as recourse to the structural Funds by small businesses, their access to research and development funds and the implementation of BC-Net, the extension of the specialized information facility (Euro-Info Centres), subcontracting, Europartnership (Andalusia), etc.

Financial engineering

- Implementation of NCI V (application of new technologies in small businesses and safeguarding rural areas)
- Operation of Euro-tech capital investment funds; continuation of the venture consort pilot programme

Social dimension

- Proposal for a Community charter of basic social rights

Labour law

- Formulation of a code of conduct on maternity protection
- Report on the application of the Directive on equal treatment for men and women as regards access to employment, training and promotion and working conditions (207/76/EEC) in Spain and Portugal

Human resources and vocational training

- Discussions on training and further training in firms
- Final report on the implementation of the Council Resolution of 1984 on the training and occupational integration of young people, and proposal for a new action programme
- Proposal on the right to special leave for vocational training purposes
- Proposal for a decision on the second phase of the Eurotecnet (European technical network) programme
- Preparation of the fourth programme (1990-93) concerning exchanges of young workers and evaluation of the third programme

Working conditions

- Comparative study of national rules and regulations on working conditions
- * Proposals for directives on minimum requirements in several areas, in line with the framework Directive on the health and safety of workers at the workplace:
 - Safety signs at the workplace (amendment to Directive 77/576/EEC)
 - Protection of workers from asbestos (amendment to Directive 83/477/EEC)
 - Safety and health requirements for workers in the construction industry
- Recommendation introducing a European list of occupational diseases

Development of employment

- Implementation of the programme to combat long-term unemployment
- First periodic report on current employment market trends
- Report on local employment initiatives in the Member States
- Preparatory work on the assessment of the action programme on equal opportunities for women
- Communication on the implications for the employment of women of the introduction of the new technologies
- Measures to promote the setting up of businesses and local employment initiatives by women

Social dialogue

- Development and intensification of work to increase the involvement of the two sides of industry in social and economic policy at sectoral level
- Implementation of the conclusions of the plenary meeting of the Val-Duchesse Dialogue on 12 January:
 - Provision of information to the steering group on the two topics selected (education and training, the outlook for a European labour market)
 - Consultations with the two sides of industry on the elaboration of new schemes

Agriculture

49. Following the important developments which have taken place in the common agricultural policy in recent years and in 1988 in particular, the Community is now facing a two-fold challenge. Firstly, it must continue to adapt the agricultural policy to the economic realities of the 1980s and 1990s, making Community farmers more competitive and helping to restore balance on the agricultural markets. Secondly, it must develop back-up policies (such as income aids) to assist the farmers in greatest need. Alongside the economic aspects of agriculture, the Commission feels that account must be taken

of its key contribution to territorial balance, the social fabric and environmental protection.

50. In every international forum and at the Uruguay Round in particular the Commission will advocate a strategy for improving the balance of world agricultural markets in the short and in the long term. The Commission will make every effort to obtain commitments along these lines from the Community's partners, subject to compliance with the mechanisms of the common agricultural policy and allowance being made for the efforts the Community has already made in this context.

51. On the home front the Commission must continue the work which it has done to restore

balance to the markets, which is now beginning to produce significant results in terms of stock reductions and budgetary discipline. The Commission takes the view that a better market balance is essential if farmers are to have any real prospects for the future. The stabilizing mechanisms introduced in 1988 were an important step in this direction and 1989 will be a crucial year for applying these stabilizers, which are now fully operational in all the sectors concerned. Where appropriate, the Commission will propose the introduction of stabilizers in other sectors.

52. Various changes will have to be made to the rules governing the market organizations for cereals, wine and milk in the course of the year. In the cereals sector intervention must be restored to its original role as a safety net to deal with short-term fluctuations in supply and demand. The Commission will draw up a report and make appropriate proposals to this effect. It will also produce a report, and possibly put forward proposals, on the arrangements for starch products, given the need to establish a balance between the various raw materials and to guarantee industry access to basic products on a competitive footing with non-member countries. For wine, proposals will have to be presented concerning the prohibition on new planting (existing arrangements expire next year) and the delimitation of zones. As regards milk, the Commission will ensure that the smooth operation of the market organization is not impeded by the decisions taken by the Council following the Court's ruling on the availability of milk quotas to producers who have received conversion or non-marketing premiums. The Commission will also consider the advisability of revising the general rules on aid for the utilization of milk and milk products. It will hold further deliberations on the banana sector.

Rural development

53. The Commission, in last summer's report on 'The future of rural society', advocated that the reform of the common agricultural policy should be accompanied by a genuine Community policy on rural development. In 1989 it will put forward a number of specific proposals to implement the report's recommendations and help prevent depopulation of the countryside. In so doing it will take account of the fact that the development of rural regions extends beyond agriculture as such, pivotal though it may be. It will therefore ensure that more serious attention

is paid to rural problems under all policies and programmes pursued at Community, national and regional level. Where agriculture itself is concerned, the Commission will consider ways of gearing its structural policy more closely to the rural diversity of the Community and will present proposals for enhancing the quality of agricultural products.

The reform of the structural Funds includes substantial provision to assist rural development, particularly in regions lagging behind (Objective 1) and in handicapped rural areas (Objective 5b). With a view to speeding up the adjustment of agricultural structures (Objective 5a) it will present proposals so that the Council can make the necessary changes to the legislation concerned before the end of 1989 (marketing, processing, farm improvement plans, etc.)

Forestry

54. This year the Commission hopes to define and implement a genuine Community strategy for the harmonious development of the forestry sector, in conformity with the approach outlined in the proposals it put forward at the end of September. It will argue in favour of Community measures being concentrated on five priorities: the afforestation of farmland, the development and exploitation of woodlands in rural areas, the cork programme, forestry protection and supporting measures. Once the proposed guidelines and measures have been approved, the Commission will set about the task of implementation.

Fisheries

55. The common fisheries policy has now been in operation for five years. Within the next few months the Commission will complete its stocktaking and lay down guidelines for the years ahead. The Commission will investigate the scope for wider cooperation on the control of fishery resources in the Mediterranean. Here and in other parts of the world the initiatives taken in recent years need to be brought together and, where appropriate, integrated into an overall plan to ensure consistency, to increase effectiveness and to strengthen the Community's negotiating position. Access to external resources frequently depends on the decisions taken by international bodies in which the Community, although active, cannot assert its rights in the same way as other parties.

56. As regards structures, the essential aim will continue to be the maintenance of a fishing fleet which is in proportion to the resources available and which enables optimum use to be made of such resources. It is essential to press ahead with the gradual reduction of the Community fleet's surplus capacity, so that by 2002 (when the current derogation to the Treaty provisions on freedom of access expires) the size of the fleet will match the optimum level of exploitable resources. The Commission will endeavour to ensure that all Member States comply with the multiannual guidance programme for 1987-91, which aims to achieve a 3% reduction in overall tonnage and engine power by 1991. The Commission will be presenting specific proposals in the course of the year to take account of reform of the structural Funds and the need to create separate instruments for structural action and consolidate budgetary provisions for the sector.

57. There must be strict observance of TACs and quotas if stocks are to be replenished and used to best advantage. The Commission will insist on such observance and on the need for stricter management and tighter controls. It will call for a decision on the Community's contri-

bution to expenditure on surveillance facilities, in accordance with the principles and rules it proposed last November. Although it is aware of the need for increased surveillance, the Commission considers that controls must be implemented in close collaboration with the Member States, and fishermen themselves must be made to understand that stricter discipline is in everyone's interest. To this end it will propose changes to the arrangements for the transmission of information by the Member States.

58. Implementation of TACs, quotas and related measures have highlighted certain shortcomings in relation to conservation. The Commission will produce a paper as a basis for substantive discussions on this subject so that the most appropriate proposals for improving the system can be presented before the end of the year. As far as the market is concerned, the processing and treatment of fishery products for human consumption is a rapidly expanding industry which is partly dependent on non-Community countries for supplies. The Commission will propose certain amendments to the legislation recently adopted, to take account of the various interests concerned for the purposes of intra-Community trade.

Fisheries

- Stocktaking of the common fisheries policy after five years' operation
- Tightening arrangements for monitoring markets pursuant to Regulation No 2241/88 as amended in October 1988
- Proposal to improve the operation of the market organization by changing the system for the transmission of information between the Member States and the Commission
- Further collaboration with the Member States with a view to reducing surplus capacity and restructuring and modernizing the fishing fleet and examination of the possibility of renewed financing for shipbuilding projects, on the basis of highly selective criteria, where Member States can show that they have taken the legislative and administrative measures needed to ensure compliance with the common structural policy for the fisheries sector
- Communication on the preservation of fishery products and proposals for improving the present system (harmonization of quality standards for preserved fish, etc.)
- Proposals for the amendment of the market rules to take account of Community trends in the treatment and processing of fish for human consumption

Research and technological development

59. The Community needs a research and technology strategy if it is to improve its industrial competitiveness in the long term, enhance the

quality of life for Europe's citizens and promote the advancement of fundamental research.

To make progress towards that objective the Commission will present the final version of its report on the state of science and technology in

Europe, the first version of which was published last year.

The initial report will be enriched with the opinions and reflections of the other Community institutions, the scientific community, industry and the world of education. At the same time the Commission will take the necessary steps to prepare and publish a similar report every two years.

This report is designed to provide a factual basis for a wide-ranging debate on all aspects of European science and technology, including the Community's strengths and weaknesses in relation to its main competitors, consistency between the individual Member States and duplication of effort.

The aim is to encourage the Community to establish the facts of the situation, to draw conclusions from those facts, and to decide on the priorities of a strategy.

60. The main thrust of the R&TD strategy is that the Community and its Member States must strengthen their long-term competitiveness by improving their performance.

The initial report has already made it clear that Europe's performance is hampered by inadequate coordination of national policies. Most European research is carried out in a national context and is largely funded from national budgets.

The process of creating a single European market militates in favour of an unambiguous recognition of the need for a clear commitment to the practical coordination of national policies in line with the Single Act. For this to happen, the tasks assigned to the Commission and the Member States by Article 130h must be carried out with determination.

The Commission will be setting out its views on the problems, the issues involved and the ways and means of coordinating national policies.

61. Before the summer the Commission will be proposing substantial changes to the 1987-91 framework programme designed to strengthen its catalytic role so that it becomes the expression of the strategy chosen by the Community, closely linked with the specific commitment of the Member States to coordinate national policies.

The conclusions of the final report on the state of science and technology will be the starting point for a definition of the priorities of the

framework programme and of its role as catalyst.

62. In particular the Commission will be proposing major changes in the way R&TD is conducted.

The Community currently involves itself directly in science and technology through a range of instruments (own research, shared-cost programmes, concerted action) and this has proved effective, but the opportunities for creating flexible new instruments for intervention offered by the Single Act (Articles 130l, 130m, 130n, 130o, etc.) have not been exploited.

In line with the principle of subsidiarity, the Commission is considering the use of complementary programmes, decentralized management structures and flexible means of financing, including financial engineering.

The prospect of new instruments and structures for R&TD will be an incentive to the Commission to place its cooperation with Eureka and the European Space Agency on a more organized footing, so as to make the most of the complementarity that exists in Europe.

The Commission will give some thought in the next few months to the possibility of creating a European science and technology assembly. The remit of the assembly, whose membership would be as broadly-based as possible, would be to inform the Commission and the other institutions of new ideas and developments that might lend themselves to expansion at European level.

63. One lesson that can be drawn from the report on the state of science and technology is the need for Community action in the field of R&TD, closely and carefully integrated with the other Community policies. To this end the Commission will continue the effort it began in 1988 by preparing and publishing a new communication on the problems of technological standardization. The Commission will also be implementing the programme to set up a common market in information services (Impact) with a view to cofinancing cross-border pilot projects for developing advanced information services. The creation of an information services market will mean getting to grips, in a spirit of harmonizing laws and removing barriers to communication, with the problems associated with the standardization of access to data bases, legal protection of data and copyright. In this area the Commission will, for example, finalize its proposal for a plan of action to promote

interconnection between libraries and the introduction of new technologies.

64. In the telecommunications sector, hitherto largely controlled by public or semi-public bodies in most Member States, the creation of a single market conflicts in a number of cases with national traditions and raises the problem of reconciling public service and liberalization. With no harmonization, no new regulation of the European telecommunications market and no coherent policy of standardization at European level, there is a danger that industries will retreat into their national markets even if this entails losing the battle on the world market. The Commission will apply itself to developing a Community policy for a single telecommunications area along the lines approved by the Council in June 1988 on the basis of its 1986 Green Paper, with the aim of achieving mutual recognition of the rules for the future use of the networks. It will complete current consultations for finalizing its proposal for a directive on the mutual recognition of authorization procedures, so that authorization obtained in one Member State will entitle the holder to provide the service

anywhere in the Community without further formalities. The Commission will at the same time develop its competition policy in the field of telecommunications. The Commission will also present communications or proposals on several pressing matters such as renewal of the STAR programme (STAR II), with a view to improving access to advanced telecommunications networks and services for the Community's less-favoured or isolated regions.

65. As far as the international scene is concerned, the Commission will endeavour to extend and strengthen scientific cooperation with the EFTA countries by preparing and arranging access for these countries' institutions to the various specific programmes. At the same time, further to its 1988 communication on the matter, it will strengthen the links and increase the complementarity between Community and Eureka activities. Furthermore, the Commission will study ways of increasing mutually beneficial cooperation with the United States and Japan, the other industrialized countries and the developing countries, and will examine the possibilities for establishing a basis for cooperation with the European State-trading countries.

Research and technological development

Strategy for research and technological development in Europe/revision of the framework programme

- New report on the state of science and technology in Europe published in November 1988
- Progress report on the framework programme of R&TD (1987-91)
- Communication on a European strategy for science and technology (conclusions of the report on the state of science and technology in Europe, coordination of national R&TD policies, Community initiatives and the issues involved in international cooperation)
- Proposal for a revision of the framework programme
- Discussions on the possibility of creating a European science and technology assembly

Information technology, telecommunications and innovation

- Support for the European advanced sub-micron technology programme (Jessi)
- Initiatives in the area of standardized microprocessor architecture and peripherals in Europe
- * Esprit II: proposal to strengthen the current programme in the field of information technology
- * RACE II: proposal to strengthen the current programme in the sectors of advanced telecommunications technology not yet covered (HDTV, network management, etc.)

- * Implementation and development of programmes for the application of information technology and telecommunications:
 - AIM (health and medicine)
 - Drive (road transport)
 - Delta (education and training)
- Development of initiatives in the language industries

Dissemination of research results

- * Proposal for introducing a Community system for the dissemination of R&D results

Modernization of industrial sectors

- * Proposal for an R&D programme on new transport technologies

Biological resources

- * Proposal for an R&D programme (1990-94) in the field of biological resources (Bride)

Energy

- Proposal for an R&D programme (1990-94) on the management and storage of nuclear waste

Science and technology activities outside the framework programme

- * Finalization of the proposal for a directive on open network provision (ONP) for the liberalization of telecommunications services
- Finalization and implementation of the opening up to competition of telecommunications services contracts for public undertakings and undertakings to which the Member States grant special or exclusive rights
- * Proposal for a directive on the mutual recognition of type approval for telecommunications terminal equipment
- Proposals for a directive and a recommendation on electronic paging systems
- Communication on the development of telecommunications by satellite
- Communication on the development of a Community policy in the postal field
- STAR II: preparatory work for the renewal of the STAR programme (less-favoured regions and telecommunications networks)
- Proposal for a plan of action for the development of the videoconference
- Proposal for a plan of action to promote interconnection between libraries and the introduction of new technologies
- Proposal for a programme on data protection in open networks as part of the development of a common market in information services
- Strategic audits of the Insis (data interchange between national and Community administrations) and Caddia (electronic exchange of customs documents between the Member States and the Commission) programmes

Environment

66. Pollution recognizes no frontiers. The Community pays a heavy price not only because of the pollution itself but also because of the resulting disruption of the balance between man and nature (rural depopulation, urban problems, etc.). The Commission believes that in order to guarantee the support of Europe's citizens for the consolidation of the Community it is necessary not only to restore a sound environment, but also to ensure that the creation of the single market and economic growth effectively serve this end. It is also clear that the Community's international competitiveness is closely linked to the development and application of strict environmental standards at home. Completing the legislative framework for pollution control is therefore regarded as a priority task by the Commission in the immediate future.

67. All the possibilities offered by the Single Act, especially Articles 100a and 130r, must be exploited to the full when formulating new measures. In order to meet this new challenge at Community level, the Commission will propose setting up a European environmental measurement and verification system, foreshadowing the establishment of a European Environmental Protection Agency, in order to interlink and if necessary set up regional or national, public or private facilities as part of a Community measurement, verification, certification, information and early warning network. The network would be available to our neighbours and could be linked up to other international systems. It would draw on the lessons learned from the Corine programme for gathering, coordinating and ensuring consistency of information on the state of the environment. A proposal for extension of this programme beyond its current experimental phase will be considered in 1989.

68. It is important to establish more effective linkages between research and environment policies. The new R&D programmes on the environment (STEP and Epoch) should start this year.

69. Environment policy, which — as the Single Act stresses — is an integral part of common action, must be taken into account in all the other Community policies. To this end it is necessary, on the lines of the 1988 report on the cost of 'non-Europe', to enlighten European society on the cost of neglecting the environment, in ecological terms and in terms of the consequences for industry, regions and sectors. The Commission will prepare a communication on this subject in the course of the year. Furthermore, the development of efficient economic

instruments such as taxes and levies will be instrumental in implementing the 'polluter pays' principle laid down by the Single Act: a proposal to amend the 1975 Council recommendation will be presented.

70. At the same time effective implementation of existing legislation must be ensured. Nothing will discredit the Community's environment policy, and the Community itself, more quickly than failure to implement adopted measures. Apart from initiating infringement proceedings when required, the Commission will pursue a vigorous dialogue with the Member States, aimed at increasing their understanding of legal and practical questions relating to implementation. And it will propose, in the course of the year, new reporting requirements with regard to the implementation of Community environment directives. Other measures can help further implementation, for instance, by improving environmental training at all levels. Improved access to information on environmental questions can also contribute to improved attitudes of strict compliance with legislation in this area which is of great concern to the public. In 1989 the Commission will propose extension to the Community institutions of the open system proposed for national and regional bodies last autumn.

71. In view of the rapid deterioration in living conditions in inner city areas and the danger of gradual undermining of the architectural and natural heritage in our towns and cities, the Commission hopes to prepare a green paper setting out the broad lines of Community action to protect the urban environment.

72. The Commission will be proposing the adoption of a Community action programme (1989-98) for the protection of the Mediterranean region (Medspa), further to the communication of last autumn.

73. The fourth action programme (1987-92) now under way is aimed at a preventive strategy for safeguarding the environment and natural resources, including measures in the following paragraphs.

Moreover, in view of the rapidity of developments, the continual changes in the environmental situation, not to mention the new impetus which the Commission has decided to give this policy, the action programme should be monitored and, where appropriate, supplemented by new proposals.

74. Existing legislation on water needs to be revised or, in some cases, looked at again. Pro-

posals will be made for simplified procedures for reviewing directives dealing with quality objectives and for establishing an ecological quality of water. In addition to its recent proposal dealing with pollution by nitrates as a result of the use of fertilizers, the Commission will advance work for tabling a proposal on the use of phosphates (eutrophication), thus giving renewed impetus to the efforts to reduce water pollution by specific substances. Limiting sea pollution from land-based sources entails stepping up the measures taken to control discharges to internal waters. A directive relating to waste waters, particularly those coming from municipal sewage treatment plants, will be tabled in the course of the year.

75. The 'greenhouse effect' lends unprecedented urgency and priority to the question of atmospheric pollution. The Commission will be proposing appropriate modifications to existing Community legislation dealing in particular with CFCs (chlorofluorocarbons). Proposals will also be made in this field for Community measures relating to reductions in SO₂ emissions, to ensure that the Community comes into line with the Helsinki and Sofia Protocols to the Geneva Convention. Furthermore, following the adoption of the directives on large combustion plants and municipal waste incinerators, the Commission will propose measures to reduce polluting emissions from small combustion installations. In 1989, a proposal will be made for a further limitation of the lead and benzene content of petrol.

76. Waste management will also receive renewed attention. The Commission will outline in the first months of 1989 a waste strategy covering the three aspects of this crucial field: prevention and production of waste, recycling and reclamation, and safe disposal of unavoidable residues. Specific proposals will be tabled on the question of responsibility of waste producers. On waste recycling, this year will see the tabling of a proposal to amend the 1986 directive on the use of beverage containers, so that a uniform stamp is provided on refillable containers.

77. In the course of the year the Commission will present a proposal for a regulation on the systematic evaluation of existing chemicals. Such a measure should, in particular, impose on industry the obligation to test as a matter of priority chemicals which pose risks to man and to the environment. On the classification and labelling of dangerous substances, in addition to ongoing work on adaptation to progress, a proposal will be tabled to establish a harmon-

ized procedure for industrial chemicals (inclusion of those marketed in quantities less than one tonne per annum): this should remedy the present situation where each Member State imposes its own requirements, thus producing considerable variation throughout the Community.

The regulation relating to exports from and imports into the Community of certain dangerous chemicals will come into force next June. While starting managing this new notification system, the Commission will propose amending the regulation in the light of the discussions taking place at international level on the principle of 'prior informed consent'. A report will be drawn up on the implementation of the 'Seveso' Directive on accident-reporting requirements.

78. Turning to the environmental aspects of biotechnology, the Commission considers that preparations for another important new notification system should start before the end of the year with a view to implementing the two directives tabled in 1988 relating to the contained use of genetically modified micro-organisms and the deliberate release into the environment of genetically modified organisms, both in the research field and in marketable products.

79. The Commission will also pursue its efforts in the field of protection of nature and natural resources. In 1989 the proposal made last summer for a comprehensive system of habitat and species protection in the Community should be adopted. In addition, the Commission will propose in the course of the year standards for the protection of animals in zoos. Measures will be tabled to combat cruel methods of capturing animals (seal pups; jaw traps), and measures to increase the effectiveness of the international effort to save other threatened mammals, especially whales and dolphins, and to preserve the tropical forests, e.g. within the framework of agreements and trade with non-Community countries.

80. The Community is also to be regarded as an appropriate forum for resolving environmental problems, particularly in relation to the broader international and continental dimension that current environmental policies imply. In several areas where the value of common action is closely linked to effective enforcement of Community action the Commission will put strong pressure on the Member States to ensure effective Community participation and coherence of national positions with Community objectives. Regarding in particular key questions like global warming (greenhouse effect),

depletion of the ozone layer, destruction of tropical forests, the disappearance of species and habitat, the effects of acid rain and the transfer of toxic waste, the Commission will make proposals with a view to enabling the Community to play a constructive role on a common basis. This approach is also needed in the myriad of multilaterally or regionally negotiated environmental questions (e.g. UNEP, FAO, Council of Europe, Danube Convention, etc.) which are also relevant to internal action, and where shared competence with Member States calls for a more united stand with our partners.

81. The basis for Community action on nuclear safety must be strengthened as regards prevention, harmonization of rules and regulations, information for the workforce and the

population, and improvements to Community mechanisms which aim to respond efficiently to emergency situations. Work in the area of radiation protection will be mainly directed to the preparation of a Council decision establishing a Community radiation protection inspectorate. Other priority areas which will be addressed will extend from dose limitation for the public and workers to protection measures for the population in the event of a nuclear accident. Several other initiatives will be undertaken and measures will be proposed in this respect, in particular on the supervision and control of transfrontier shipments of radioactive waste, on dose registration of occasionally exposed workers, and on the protection of the public against doses arising from radon in houses, on which work began in 1988.

Environment

New initiatives

- Setting-up of a European environmental measurement and verification system (agency)
- Continuation and possible development of the Corine programme (information on the environment)
- Community action programme (1989-98) to protect the Mediterranean (Medspa)
- Green Paper setting out the broad lines of Community action to protect the environment in inner city areas
- Work set out in the end-1988 communication on global warming (greenhouse effect)
- Preparation of a Community strategy for the conservation of tropical forests, with proposals
- Formulation of a Community strategy for waste management
- Preparation of guidelines for the integrated management of water resources
- Setting-up of a European centre for alternative testing methods (chemicals)
- Report on the implementation of the fourth action programme (1987-92); possible review
- Communication on the cost of neglecting the environment (environment and 1992)

Legislation

- Implementation of the fourth environment programme — proposals for directives or regulations

Transparency

- Regular harmonized submission by the Member States of reports on the implementation of Community environment directives

Water pollution

- Ecological quality of water; wastewater treatment; discharges of dangerous substances into water; reduction of pollution caused by phosphates

Air pollution

- Volatile emissions from cars and petrol pumps; lead content of petrol

Waste

- Labelling of refillable containers; rules concerning the civil liability of waste producers

Chemicals

- Revision of Directive 79/831/EEC concerning the harmonized control of chemicals in the Community; Regulation on the systematic evaluation of existing chemicals

Noise

- Dynamic measurement methods for excavating equipment; early withdrawal of aircraft from service

Nature protection

- Extension of the seal pups Directive; furs of animals captured using jaw traps

International

- Proposals or recommendations for decisions concerning European and international agreements, conventions and protocols on:
 - Protection of vertebrate animals (European Convention)
 - Transboundary movements of hazardous waste (UNEP)
 - Air pollution (NO_x Protocol to the Geneva Convention)
 - Exploitation of the continental shelf (Barcelona Convention)
 - Environmental cooperation in the Danube basin (Regensburg Convention)
 - Protection of the Rhine against chemical pollution (additional protocol (chloroform) to the Convention for the protection of the Rhine)
 - Protection of the North Sea against pollution from oil and other harmful substances (amendment to the Bonn Agreement)

Further action

- Extension of freedom of access to information on the environment to include the Community institutions
- Start-up of the STEP and Epoch (environment R&D) programmes
- Communications on civil liability in respect of the environment, and on the application of the 'polluter pays' principle

Nuclear safety

- Legislation or recommendations on:
 - A Community radiation protection inspectorate
 - The supervision and control of transfrontier shipments of radioactive waste
 - The dose registration of occasionally exposed workers
 - The maximum permitted levels of radioactive contamination of foodstuffs in the event of a radiological emergency
 - The protection of the public against doses arising from radon in houses
- Communications on:
 - The radiological aspects of transport of radioactive materials (with particular reference to mutual assistance in the event of an accident)
 - Radioactive effluent discharges from nuclear power plants and nuclear waste reprocessing plants in the years 1977-86

Industry

82. The Commission will develop a constructive approach to provide industry with the environment it needs to become more competitive in advance of 1992. It will see to it that this approach is taken into account in the various Community policies which touch on industry and will base its policy on an analysis of the competitive position of European industries in the context of the single market. It will update the *Panorama of EC industry* which it published for the first time at the end of 1988. This updating, which will be accompanied by improvements in the Community's industrial statistics system, will enable all economic operators and industrialists to follow industrial trends and to anticipate the movement towards a single market. The Commission, in setting up the Euro-Info Centres, has established an effective structure for the dissemination of information. What economic operators now need is basic information about changes in legislation: The Commission will investigate the possibility of establishing a multilingual data base accessible from any computer terminal in the Community.

The Commission also intends to promote optimum product quality, an essential factor in improving the competitive position of firms.

83. Despite the upturn in the steel industry, it is still imperative to pursue efforts to restructure and rationalize steel firms, which must continue to adapt to the long-term reduction in the demand for steel and growing foreign competition. It is therefore essential to define the economic framework for the steel sector in 1995,

taking account also of the world context. In close consultation with the industry, dealers and users, the Commission will accordingly embark upon the establishment of the general objectives for steel for 1995, so that market forecasts can be made and so that the policies to be followed can be defined. In addition, the Commission will continue to keep a close watch on market developments following the removal of production quotas on 30 June 1988. It will also pay close attention to the introduction of the social and regional flanking measures via the structural instruments (notably Resider). On the external front, it will propose appropriate measures for renewal of the 12 existing bilateral arrangements and the possible conclusion of new agreements with non-member countries.

84. The world crisis in the shipbuilding industry continues to make flanking measures necessary. The Commission has set a new aid ceiling for 1989 under the 1987 sixth Directive with a view to encouraging a rigorous and selective aid policy. The Commission's main concern will continue to be to steer Community production towards high-technology vessels and to guarantee fair and uniform conditions for intra-Community trade. The Commission also hopes to be able to make progress in 1989 towards closer cooperation with the Far East countries on the basis of negotiating directives which it requested in early 1988. If the Council does not act on this, the Commission reserves the right to introduce protective measures against harmful practices by non-member countries affecting European shipbuilding. On the social and regional fronts, the back-up programme proposed by the Commission (Renaval) should be implemented this

year, to enable workers in this sector to find alternative employment, to facilitate their geographical mobility and to enable some of them to retire.

85. For the aerospace industry, the Commission takes the view that, as proposed in its recent communications, an overall industrial strategy should be defined as a matter of urgency. Apart from the need to reach agreement with the United States on the question of Airbus, the main items on the Commission's agenda will be the preparation of a consistent R&D programme, work concerning European certification and a concerted approach in conjunction with the European Space Agency. The Commission will put forward appropriate proposals to further the basic objective of creating a competitive European industry. The opening-up of public procurement contracts will play a decisive role in the run-up to 1992: in the next few months the Commission will put the finishing touches to its work in this connection.

86. For the motor vehicle industry, the need to do away with internal technical and tax barriers goes hand in hand with the need to establish a common commercial policy entailing in particular the gradual removal of the remaining quantitative restrictions, the definition of a policy on imports into the Community combined with a genuine opening of other markets to European vehicles, and the achievement of a high degree of integration in the production units of non-member countries established in the Community.

87. The electronics industry is another sector with a promising future. The Commission intends to base its work on an analysis of the interests of European industry and will put forward appropriate measures to promote them. Where high-definition television is concerned, the Commission will continue the efforts launched to promote the equipment, programmes and experimental use of this medium of the future. This technology, which is of key importance to the future of broadcasting, is one of the biggest challenges facing consumer electronics and Europe's industrial programme for the 21st century. The Commission will endeavour to implement the strategy worked out last autumn with a view to ensuring that the European industry develops the technology, the equipment and the components needed for the gradual launch of HDTV services in the 1990s and that the European HDTV system is used as much as possible throughout the world. The Commission will see to it that consolidation of the technologi-

cal and normative achievements and efforts to establish an appropriate framework to mobilize European initiatives are organized by setting up an economic interest grouping involving the industry, certain governments and the Commission itself.

Services: the benefits of scale

88. The benefits of scale may also spill over into the vast services sector — in which most of the new jobs generated this year will be created. Attention will focus on those areas of activity for which no Community rules have yet been laid down or which are not obviously covered by any of the provisions of the Treaty.

Some of the services rendered to firms are likely to expand considerably and the regulatory environment should therefore be as favourable as possible. In 1989 the Commission will be compiling a communication setting out the results of the 'audits' conducted in 1988, stressing the potential for job-creation and greater competitiveness at Community level and reviewing the external aspects. Developments in the distributive trades, which will play a leading role in passing on the benefits of the single European market, will receive similar attention.

Where the general public is concerned, Community initiatives are needed in the field of tourism with its many economic, social and environmental implications and its significance for freedom of movement. The Commission will implement an action programme to coordinate the measures taken both by itself and by the Member States and will make the necessary preparations for European Tourism Year in 1990. To help promote Europe's image as a tourist destination it will suggest specific initiatives (off-season pilot projects; trips for young people, the elderly and the handicapped; itineraries of historical interest etc.), whilst endeavouring to improve the geographical distribution of the industry. It also plans to present proposals relating to specific aspects of tourism (model travel contracts, standardized information, rules governing reservations, etc.).

Enterprise

89. Irrespective of the sector in which they operate or the region in which they are located, small businesses dominate the fabric of the European economy. They are creating most of the

new jobs at present, giving declining industrial areas a glimmer of hope for a better future and enabling industrializing areas to develop in a diversified fashion. More often than not the environment with which they have to contend is lacking in uniformity, and they may run into difficulties because they lack capital resources or expertise. Despite their high level of adaptability, their failure rate increases in proportion to their creation rate. The Commission considers that it is vital to continue specific action to help them, since they will play a key role in localized innovation processes, in the fabric of the regional apparatus of production and the local scientific base, and in the allocation and distribution of a more mobile labour force. It is therefore necessary to strengthen still further the links between the policy pursued in this area since 1986 and the other Community policies, in particular as regards social matters and research and technological development, to which Articles 118a and 130f of the EEC Treaty (as amended by the Single Act) relate in particular.

In practical terms, it is vitally important to continue and to increase the geographical coverage of the Euro-Info Centre project, which has made a promising start. The network of 30 Euro-Info Centres now in operation in the Community should be extended, starting in May, with a view to covering all Community regions. Alongside this, 1989 and 1990 will represent the experimental phase of the network for interregional and transnational business cooperation known as BC-Net. The Commission will endeavour to ensure that this forum for cooperation between small businesses can achieve its full potential. Steps will also be taken concerning subcontracting with a view to determining how to improve communications between interested firms, modernizing subcontracting procedures and encouraging transfrontier cooperation. Small businesses need to be particularly well prepared for 1992 so that they can make the most of the increased competition and opportunities resulting from the single European market. An experimental scheme will be implemented for the training of small businessmen in strategic management, with the establishment of an exchange and cooperation network between training institutes.

Where enterprise policy is concerned, it will also be necessary to step up efforts to improve the general small business environment. Where public procurement is concerned, it is vital that small businesses should have guaranteed access to the contracts in question in view of the major role that they play in the local economy. The Commission will establish guidelines for the Member States. It will also endeavour to make

progress towards the simplification of Community legislation so as to keep to a minimum any unnecessary expenditure imposed on firms, which may stunt their growth. To this end, the systematic assessment of the impact of proposed legislation will be improved. Where administrative matters are concerned, the Commission will prepare a general communication describing the simplification of administrative procedures at Community and national level and will give its detailed viewpoint concerning the simplification of customs procedures.

90. Finally, the Commission will initiate reflection on the various elements of the mutual/cooperative sector (associations, mutual bodies, cooperatives) while seeking to pinpoint the impact and opportunities created for them by a frontier-free Europe.

Budgetary discipline and financial perspective

91. One of the major reforms contained in the Delors package in 1988 is the introduction of budgetary discipline for all Community expenditure on the basis of the financial perspective 1988-92 and the Interinstitutional Agreement. These budgetary discipline arrangements also relate to the Communities' total own resources.

As a result the budgetary procedure has been adjusted and the Commission must now impose transparency and rigour in its budget management in line with the amended provisions of the Financial Regulation, especially as concerns stricter application of the annuality principle, and with the political content of the Agreement for everything relating to budgetary discipline.

The Commission was careful to comply with this new approach at the first opportunity in autumn 1988 when it presented a letter of amendment to the preliminary draft 1989 budget to reduce the payments to be called in from Member States as a result of the savings in the EAGGF Guarantee Section and the excessive revenue figures initially entered.

In accordance with the Interinstitutional Agreement, the Commission will be presenting the annual adjustment of the financial perspective in the form of the technical adjustments provided for in point 9 and the adjustments required in connection with the conditions of implementation as provided for in point 10. The adjusted perspective will be the framework for the preliminary draft budget for 1990.

In accordance with point 16 of the Interinstitutional Agreement the Commission will propose a preliminary draft budget for 1990 within the limits of the financial perspective and based on the Community's actual requirements. It will take into consideration the capacity for utilizing appropriations and seek to maintain a strict relationship between commitment appropriations and payment appropriations and the possibilities for starting up new policies or continuing multiannual operations which have come to an end, after assessing whether it will be possible to secure a proper legal base.

Since 1989 is the first year in which the Interinstitutional Agreement will apply in full throughout the budgetary procedure, the Commission will take care to ensure that it is respected so that there will be no falling back after this institutional advance.

Various measures will also be taken in 1989 to step up the fight against fraud (audit of national systems for combating fraud; review of measures to prevent fraud and to recover amounts wrongly paid; development of computer aids and information flows).

Main proposals pending

Economic and social area

- NCI V
- Financing of major infrastructures of European interest
- Social aspects of the Renaval programme
- Social measures in the steel industry
- Poseidom
- * Framework directive on health and safety at work (III)
- * Minimum requirements for workplaces (II)
- * Minimum requirements for equipment and machinery at work (II)
- * Minimum requirements for personal protective equipment (II)
- * Minimum requirements for work involving the handling of heavy loads (II)
- * Minimum requirements for workstations incorporating VDUs (II)

Agriculture

- Agricultural prices and related measures 1989-90

Forestry

- Strategic action programme

Fisheries

- Financial contribution towards expenditure incurred by Member States on the enforcement of Community rules for the conservation and management of fishery resources

Research and technological development

- * Brite II programme (modernization of industry) (III)
- * Eclair and Flair programmes (agro-industrial research) (III) (I)
- * Strategy for aeronautical research and development (III)

- Main phase of Sprint programme (innovation and technology transfer)

Environment

- Municipal waste incinerators
- Reduction of water pollution caused by nitrates
- * Contained use and deliberate release of genetically modified micro-organisms (I)
- * Amendment of existing rules on the control and disposal of wastes (chromium, PCBs, mercury, cadmium, titanium dioxide) (I)
- Amendment to the 'Seveso' Directive
- Protection of natural habitats
- Freedom of environmental information
- Importation and exportation of certain dangerous chemicals

Nuclear safety

- Maximum permitted levels of radioactive contamination
- Information to the population in the event of a radiological emergency

Community financing

- Revision of the Financial Regulation

Key to stage reached by proposal

*: Proposal subject to the cooperation procedure

I: Proposal awaiting first reading by Parliament

II: Proposal awaiting the Council's common position following first reading by Parliament

III: Proposal awaiting second reading by Parliament following receipt of the Council's common position

IV: Proposal nearing end of procedure following second reading by Parliament

IV — Strengthening the Community's role in the world

92. Strengthening the role the Community has played in the world in recent years will call for the definition of an external economic policy commensurate with the stature of the post-1992 Community. In general, the Commission will exercise the utmost vigilance in ensuring that the Community's external powers are respected. It is essential that there be strong participation by the Community as such in international forums wherever its interest and those of the Twelve point to the need for a visibly cohesive approach. The Commission will therefore endeavour to encourage such Community participation in the special session which the UN General Assembly is planning to devote to North-South relations in 1990.

The Community must in particular continue actively its efforts to become a member of the FAO and of the related organizations.

The Commission intends to play a full and active part in European political cooperation, which should enable the Community to become more united and enhance its role as instigator. In accordance with the specific mission entrusted to it pursuant to Article 30(5) of the Single Act, the Commission will help to ensure that the vitality of the Community also contributes to the development of political cooperation, notwithstanding the latter's essentially intergovernmental structure, which is confirmed by the texts in force. The Commission will exercise its own responsibilities with a view to the possibility referred to in Article 30(12) of the Single Act of revising the political cooperation arrangements after five years, i.e. in mid-1992.

Europe as partner

93. By removing internal frontiers and creating a single external frontier, the completion of the internal market will benefit both Europe and the rest of the world. Thus 1992 will help strengthen the GATT multilateral system in accordance with the concept of balance of mutual benefits and reciprocity. As the Commission has already stressed, this concept does not imply sectoral reciprocity nor identical concessions or legislation by other countries. Europe as a partner will set out to explain the 1992 process to the other industrialized countries and to the developing countries.

The Commission will define its position on specific questions concerning external aspects of the

internal market as and when they arise and make the necessary proposals. These questions will include the specific implications for physical frontiers and the liberalization of capital and services. The Commission will endeavour to bring about progress in the Uruguay Round negotiations on services with an eye to completing them in 1990 by the introduction of multilateral disciplines for international trade in services, aiming to provide effective access to the service markets of all the signatories.

Multilateral relations

94. The European Community, as the world's largest trading power, has a particular responsibility to ensure the success of the Uruguay Round. Throughout the first two years of negotiations, the Community has played a leading role through the presentation of numerous proposals which have contributed fully toward the good rate of progress achieved in the Round so far. At the meeting of senior officials in the Trade Negotiations Committee in April, the Community will be seeking an agreement on the negotiating framework for the four issues left unresolved after the midterm ministerial meeting in Montreal in December of last year. Once this hurdle has been cleared, negotiations will be stepped up in the 15 negotiating groups set up following the Punta del Este Ministerial Declaration. The Commission takes the view that the Uruguay Round will be a success only if it wins large-scale and unequivocal support from the developing countries too, which is not yet the case. Proposals will be made to ensure that the Uruguay Round results in the widest possible liberalization of world trade and effective reinforcement of the multilateral trading system. The Commission will continue to press for an institutional reinforcement of GATT: (a) through an improvement of procedures for settling disputes capable of upgrading the credibility of the system, and (b) through a more regular cycle of ministerial meetings which would strengthen the political authority of the General Agreement and help developing countries to fortify their position internationally. It will also press for increased coordination between GATT, the IMF and the World Bank in view of the inevitable interaction between developments in the trade, monetary and financial fields.

Common commercial policy

95. A firm, effective commercial policy is a precondition for developing a stronger Community capable of withstanding international

competition. The Commission will continue to ensure that instruments of commercial policy, and especially the anti-dumping rules, are properly applied. In the textiles sector the Commission will keep a close eye on developments in the management of bilateral textiles agreements. At the same time, and with an eye to 1992, the Community will have to produce a more clearly focused commercial policy in a number of sectors which have major economic importance (the car industry, shipbuilding, the aircraft industry, footwear and so on) or which are sensitive. The Commission will put forward the most appropriate proposals to this end. New trading opportunities opening up in certain parts of the world call for the addition of a Community dimension. The Commission believes, for example, that there is a clear need to provide a framework for initiatives to offer trade credits to the countries of Eastern Europe. The Commission will also be studying the impact of 1992 on export credit financing and insurance. The 1987 proposal for a Community-wide credit insurance facility should be given fresh prominence in the light of developments in integration and expansion of the Community's trade relations. The Commission will examine the desirability of Community coordination in the financing and insurance field, or alternatively of setting up a fully-fledged Community instrument, and will put forward proposals accordingly.

Dialogue with industrialized countries

96. In its relations with the United States the Commission will endeavour to maintain and strengthen dialogue with the new administration, taking care in particular that this front-rank trading partner is aware of all the advantages for economic growth and trade liberalization that will flow from the single European market, a decisive step towards European unity and the consolidation of Europe's position as a partner open to the world. The Commission will be on the watch for any protectionist measures, under the new Trade Act or otherwise, and will expect the new US administration to observe the GATT multilateral rules. It will continue to react firmly to any barriers to trade with the Community, and to any threat to the multilateral system as a whole or to the progress that is needed in the Uruguay Round of multilateral trade negotiations.

97. The Community must continue its efforts to develop a balanced and stable relationship with Japan, while safeguarding its own interests.

This policy must extend beyond trade to embrace cooperation aimed at laying the foundations for closer and more broadly based links. One of the Commission's aims is to bring Japan to an accurate understanding of Europe's growing importance as a partner and as a market. It is likely that the trade balance with Japan will worsen in 1989. The Commission therefore intends to step up pressure for speedy restructuring of the Japanese economy and for more action to open up its market. The aim will be to secure a lasting improvement in Japan's propensity to import and, at the same time, to persuade European companies to make the most of new opportunities on the Japanese market. Export promotion programmes will have to be adjusted with this in view. With regard to the national restrictions still in force on imports of some products (including cars), the Commission will initiate discussions with the Member States and Japan with a view to establishing a mutually acceptable solution that will be compatible with the single market — without national restrictions — in 1992.

98. The Commission will pay particular attention to the development of relations between the Community and Canada and will step up its dialogue with that country on the basis of the EEC-Canada Framework Agreement for Cooperation. It will continue to examine the bilateral free trade agreement recently concluded by Canada and the United States, and in particular its compatibility with GATT provisions.

The Commission will work for the consolidation and improvement of relations with Australia, notably by exploring the possibility of identifying new areas of cooperation. In the case of New Zealand, the Commission intends to maintain the cooperation under way on agricultural products and to explore the possibility of extending cooperation beyond the traditional areas.

A sustained effort is also needed in the development of trade relations with the newly industrializing countries, notably South Korea, with a view to greater participation by those countries in the open multilateral economic system. The Commission will be urging them to take on responsibilities commensurate with the role they now play in the world economy.

Neighbouring countries, proximity policies

99. Although its first priority in the years ahead will be internal integration, the Commission will also seek to intensify the Com-

munity's already close relations with its EFTA neighbours. It will actively pursue cooperation with the EFTA countries with the aim of establishing a European economic area, as agreed by the Community and the EFTA countries at their meeting in Luxembourg in April 1984. However, the Commission thinks that as part of a good neighbour policy it is time to consider giving new momentum to this cooperation, including the possibility of new, more structured institutional arrangements, depending on how EFTA's internal structures develop.

100. As regards Turkey's application for Community membership, the Commission intends to present an initial report before the end of the year as part of its work on drawing up its opinion under the terms of Article 237 of the Treaty.

At the same time cooperation in all forms will be continued with the Mediterranean countries via the rapid implementation of the financial Protocols, particularly in the field of economic cooperation (development of business, joint ventures, risk capital ('international investment partners')).

In addition to this, more fully worked out forms of relations will be studied with a view to strengthening links with the Mediterranean countries with which the Community naturally enjoys closer cooperation.

Lastly, the Community will continue to support the integration efforts of the Maghreb countries, in line with its traditional policy of encouragement for regional integration in the developing countries.

101. Following the establishment of diplomatic relations, further headway should be made in normalizing relations with the Eastern European countries, notably through the conclusion of trade or trade and cooperation agreements with countries not yet covered. The Commission will be involved in negotiations with Poland, Bulgaria, and the USSR and will probably be presenting directives for negotiations with the Soviet Union and the German Democratic Republic. It will also develop cooperation and contacts with Hungary and Czechoslovakia under the Agreements concluded last year. The Commission feels such approaches to the Community's eastern neighbours, based on the principles of reciprocity and mutual advantage, can make a valuable contribution to European prosperity and create a better political climate throughout the continent. A proposal for the

establishment of a European Foundation for Eastern European Studies will be tabled within the next few months.

Commitment to the developing countries

102. The Community will continue to play a major role in relations with countries in the southern hemisphere by improving market access and stepping up all forms of development and economic cooperation. Completion of the internal market will create more growth and more trade opportunities for the developing countries, thereby enhancing their own diversification and modernization efforts. The Community will also have to help introduce formulas to reduce or adjust the debt burden of developing countries. Following its initiatives to aid low-income developing countries put forward at the Western Economic Summits in Venice (1987) and Toronto (1988), the Community should be taking part in 1989 in further initiatives to aid highly indebted medium-income developing countries.

103. The negotiations on the renewal of the third Lomé Convention will take place in 1989, and should lead before the end of the year to the signing of a new convention, representing a new phase of cooperation with the ACP countries. The Commission, on the basis of the directives received from the Council, will endeavour to make rapid progress in the negotiation of this model contract linking the Community with the developing world.

On the basis of the progress achieved under Lomé III in the support of sectoral policies, the Commission intends to broaden this approach by the inclusion in the next convention of macro-economic measures to provide structural adjustment support, which will mean strengthening the highly constructive policy coordination with the World Bank that has been under way for two years.

In the field of regional cooperation, the Commission will be paying special attention to southern Africa, particularly in the form of a concerted operation to aid Angola and support Namibia in the run-up to independence.

104. During 1989 the Commission will continue its programmes of food aid to food-deficit developing countries, which have steadily growing needs and are faced with difficult economic situations, aggravated in particular by substantial rises in the prices of food products.

The Commission will continue the programme of food aid which has in recent years supplied more than 1.7 million tonnes of cereals, milk powder, butteroil, sugar, vegetable oil, etc. to these countries.

The rise in prices on the world market will make it impossible to finance these quantities solely from the funds available in Chapter 92 of the budget. The Commission will continue to press for a solution, possibly involving transfers between budget chapters, in order to ensure the effective and timely implementation of food aid operations in 1989.

105. Following the signing of a Cooperation Agreement with the countries of the Gulf Cooperation Council on 15 June last year the Commission will be working on the implementation of the Agreement and will inform the Council of its assessment regarding conclusion of the trade agreement covered by the Joint Declaration. Efforts will also be made to conclude a first financial protocol with North Yemen on the basis of the proposal made by the Commission last October.

106. In conformity with the guidelines adopted by the Council in June 1987, the Commission will continue its efforts to strengthen links between Latin America and the Community.

In addition to existing forms of cooperation in various areas (energy, science and technology, trade promotion, development of human resources), a greater effort will be made to encourage the development of local businesses and the creation of joint ventures between these and European businesses (notably via the promotion of such schemes and the supply of risk capital through 'EC international investment partners').

The Community must also continue to support the various efforts towards regional cooperation. In this connection a joint ministerial meeting will be held in Honduras in February between the Community and the Central American countries and Contadora group countries. This dialogue, which started in San José in 1984, is designed to strengthen stability and cooperation in the region. The Commission will accordingly be giving full support to plans for the election of a Central American parliament by universal suffrage and to any moves to revitalize the region's economy.

The Community will endeavour to develop its relations with the Cartagena Agreement countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) on the basis of the EEC-Andean Pact

Agreement. As regards the southern cone of the continent, the Commission will keep a close eye on developments under the recent free trade Agreement concluded between Argentina, Brazil and, possibly, Uruguay, which is opening up new prospects for integration in the region, and is willing to lend its support and expertise to help realize the project. The dialogue with the Rio Group, which started in 1987, will be pursued, as will discussions on the debt problems of these countries and the revival of their economic growth.

The Commission will also explore the scope for fisheries agreements with Latin American countries expressing interest in this matter and will present a programme of action for closer relations with Latin America. In the next few months, the Commission will open a delegation in Mexico and an office in Montevideo. The Community will also be examining ways of achieving closer relations with the Organization of American States.

107. In South and South-East Asia financial and technical cooperation to help the poorest sections of the population will be maintained, together with emphasis on economic cooperation, including the promotion of European investment in the region.

Community and Asean Foreign Ministers will meet in the autumn to pursue their ongoing political dialogue, take stock of recent economic initiatives and discuss the outlook for the future. The programme of industrial cooperation with India launched at the beginning of 1987 will be stepped up to assist the Indian authorities in their efforts to modernize their industrial base. Investment promotion operations are also being planned in response to India's concern that there should be more openness on the economic front. These operations should enable Indian products to become more competitive on the international market. Well-established development programmes, such as operation Flood, will continue. Economic cooperation with Pakistan can now get off the ground and move into new areas such as industrial and scientific cooperation. A new impetus will be given to the implementation of financial and technical cooperation with the other southern Asian countries. In Afghanistan, the Commission will keep up its programme of assistance to refugees and displaced persons in line with internal developments there.

Support for China's efforts to modernize and open its doors to the outside world will continue during 1989. Of the numerous cooperation activities launched in previous years, special prominence will be given to the programme

to develop the dairy industry. Financial and technical assistance for farming in general will be stepped up, particularly when the EC-China Agricultural Technology Centre project gets under way. At the same time, the Commission will endeavour to ensure that European industry is more strongly represented in China. The EC-China Biotechnology Centre will also be inaugurated this year. Dialogue will continue on Community investment, with the aim of obtaining better terms. At the second investment symposium, to be held in Beijing in March, the Commission and the Chinese authorities will

look into ways of improving the investment climate, with particular regard, on this occasion, to the legal aspects. The Commission will also play an active part in the negotiations now under way on China's application for resumption of its status as a contracting party to GATT.

108. The Commission will present a report on the development, methods and effects of financial and technical cooperation with the Latin-American and Asian developing countries in order to draw on the lessons of past experience and arrive at recommendations for more effective arrangements.

Role of the Community in the world

Involvement in major world issues

- Active participation in European political cooperation
- Continued effort to improve respect for the Community's external powers (FAO, GATT, WIPO, WTO, ILO, ICAO, Antarctic, etc.)

Europe as partner

- Community contribution to world growth through completion of the single market in accordance with the principles of reciprocity and balance of benefits in keeping with the spirit of the General Agreement on Tariffs and Trade

Common commercial policy

- Continuation of vigilant application of Community trade protection instruments, notably the anti-dumping rules
- Revival of efforts to set up a credit insurance facility on a Community scale and working out of proposals in this field
- Negotiations within the OECD on amendments to the specific agreements on export credits for aircraft and ships
- Continuation of negotiations within the OECD on possible amendments to the general agreement on export credits
- More clearly focused Community commercial policy in sectors such as the car industry, ship-building, the aircraft industry, footwear, and so on

Multilateral relations

- Uruguay Round trade negotiations in the 15 negotiating groups
- Stepping up of the environmental initiative in external relations (European Convention for the Protection of Vertebrate Animals, International Convention on the Transport of Waste, Regensburg Convention on Cooperation in the Danube Basin, Convention for the Protection of the Rhine, etc.)

- Preparatory work with a view to encouraging cooperation on research and technological development with non-member countries and international organizations (Article 130g of the EEC Treaty)
- Negotiations on the conclusion of an agreement on Community transit with Austria, Switzerland and Yugoslavia and negotiations on air transport with Norway and Sweden
- Consultations with Canada, the United States and Australia in connection with the agreements with Euratom and possible proposals for amendments with a view to simplifying trade in nuclear fuels and ensuring a better supply policy, market unity and integrity of Euratom safeguards
- Continuation of agricultural negotiations in the Uruguay Round with a view to achieving a better balance in world agricultural markets; negotiations with countries which are suppliers of manioc, apart from Thailand (Indonesia, China, etc.)
- Stepping up of action at international level in the fisheries sector, negotiations with the various countries concerned with a view to renewing or extending the Community's fishing activities in the Mediterranean, the Indian Ocean, the central, north, south-east and south-west Atlantic Ocean and the Baltic Sea and negotiations on stabilization measures in the various international fishing organizations (NAFO, NASCO, IBSFC and IWC)

Dialogue with industrialized countries

- Continuation of dialogue and vigilance in respect of any barriers to EC-US trade relations
- Efforts to ensure balanced and stable relations with Japan
- Development of trade relations with newly industrializing countries, notably South Korea, and efforts to encourage them to accept responsibilities commensurate with the role they play in the world economy (industrial, monetary and commercial policies)

Neighbouring countries, proximity policies

- Continuation of cooperation and stepping up of links with EFTA countries
- Development of proximity policies with the other European and Mediterranean countries
- Eastern European countries: continuation of the negotiations on the conclusion of new bilateral agreements

Commitment to developing countries

- Negotiations for the renewal of the Lomé Convention with the ACP countries
- Participation in the negotiations for new international agreements for coffee, cocoa and tropical timber
- Industrial and technological cooperation at regional level in Asia, Latin America and the Gulf; continuation of the San José dialogue; continuation of the dialogue with the Rio Group
- Implementation of the Cooperation Agreement with the member countries of the Gulf Cooperation Council
- Negotiations to conclude a first financial protocol with North Yemen
- Continued cooperation with China in a whole range of fields (development of assistance for agriculture, investment promotion, China's application to resume contracting party status in GATT, etc.)
- Continuation of major food aid efforts

V — Towards a European society

109. The Community's aim is not simply to bring into being a frontier-free market — or even a common economic and social area. Starting this year, the Commission will endeavour to put some flesh on the Community's bones, i.e. not only to make it more tangible and real to the individual, but also to provide a response to educational, cultural and social aspirations.

As Mr Delors stressed in his speech to Parliament on 17 January, the goal will be, without waiting for 1992, to systematize exchanges in such a way as to bring into being a fifth freedom — the freedom to exchange ideas — which will ensure that all Europeans share certain values and can assert the Community's identity more effectively in the face of the challenges confronting civilization.

The Commission will cooperate with the relevant authorities and take account of the role played by federal, regional and local bodies in this field.

Education and youth policy

110. The Commission must act this year on the enthusiasm of students, researchers and, in the case of Comett, businessmen, to implement existing programmes (Erasmus, Comett, Science, YES). The Commission's aim is that, by 1992, nearly 10% of all students in the Community will be following a university course organized by universities in several Member States, or will have completed a period of training in a firm in another Member State.

After tabling its report on the second academic year of operation of the Erasmus programme, the Commission will propose improvements to the quality and scope of the programme for the period 1991 to 1995 (Erasmus II). The considerable success of the current programme, and the growing demand generated by it, call for some adjustments to make it work better and allow of a substantial increase in the number of students taking part. The Commission also intends to present a proposal for a programme to encourage exchanges of secondary pupils between schools in the Member States. The aim would be to enable all secondary school pupils to spend at least a month at an establishment in another Member State.

Evidence from a number of sources has highlighted serious deficiencies in the language skills

of students and workers, a crucial factor in relation to freedom of establishment. This is why the Commission recently proposed the *Lingua* action programme on foreign language teaching in the Community. Its implementation will be a key element in the strategy to be pursued in lowering internal language barriers. This is vital for real freedom of movement and for providing companies with manpower resources which are better geared to the burgeoning single market.

111. Another key element in the strategy to remove existing borders is coordination of these changes with the emergence of the single European market and a stronger European identity. The Comett programme for cooperation between universities and industry in the field of advanced technological training is a fine example of this. The success of the first two-year phase has demonstrated the vital importance of investing in human resources with an eye to the single European market. Work preparatory to the implementation of Comett II (1990-94) will begin in 1989.

Culture and the audiovisual sector

112. On both political and socio-economic grounds, further action will be needed in the cultural sphere to build on progress in 1988. Technology is transforming the industrial society into a communications society, with greatly increased interaction between the economic, technical and cultural spheres. The Commission, with the support and advice of the Committee on Cultural Affairs and the Committee of Wise Men set up last May, will step up its efforts to bring about free movement of cultural goods and services by 1992, improved access for everybody to the cultural resources of the Member States and the award of travel scholarships to young people.

113. This year should see the emergence of a genuine European audiovisual policy. The aim of this policy will be to define the mechanisms for free movement of broadcast material, strengthen the industrial and technological base of the audiovisual sector in Europe, notably via the adoption of common high-definition production and broadcasting standards, and promote European production matching the scope of the internal market and the diversity of European culture. This is essential if Europe is to keep pace with the changes taking place in the rest of the developed world and secure the future of an industry with wide-ranging social, indus-

trial and economic implications which is still very dispersed in Europe. More than any other means of communication, cinema and television have the ability to transmit physical and moral images, advertise the values of the society that produces them and extend their influence both within and beyond that society.

The Commission will consider the lessons to be learnt from European Cinema and Television Year, which draws to a close in March, and will help, with the support of the Member States, to organize the conclave which the Heads of State or Government decided should be held with a view to the launching of Audiovisual Eureka.

The need and the opportunity for action are clear. The European audiovisual industry now and in the years to come will be dominated by the proliferation of television channels and the increase in the demand for programmes, resulting from the launching of new satellites and the expansion of cable networks. Seen in the context of freedom of movement and free competition a number of essential aspects such as production capacity, promotion and distribution, the technological implications, the structure and organization of the market from the point of view of the consumer and the products available, must be tackled as a matter of urgency by Europeans working together.

The Commission will adapt its 1986 proposal for a directive on 'Television without frontiers' in the light of the Council of Europe Convention with a view to facilitating its early adoption. The effect of this will be to promote European programmes, which are only possible if a sufficiently large market can be guaranteed. A minimum required percentage of 'European' airtime, and the approximation of national legislation in key areas such as advertising, sponsorship and copyright, will ensure that the European audiovisual market is truly Community-wide.

This year the Media programme (measures to encourage the development of the audiovisual industry) becomes fully operational in terms of distribution (initiatives involving collaboration between major national companies), production, training and funding. By the end of 1989, the projects in this programme will have reached a total of ECU 40 million. The role of the Media programme as a catalyst, injecting starting capital into the industry, will be stepped up and extended and further measures will be launched. The Commission will, for example, define its position on advanced technologies applied to programmes (computer-generated graphics, HDTV, etc.), on expansion of the pro-

gramme beyond the Community's borders by means of various projects already under way (in association with the European Broadcasting Union, in connection with the Euro-Aim programme to assist independent producers, etc.), and on exploiting Europe's audiovisual potential (creation of a data bank, multilingual co-productions, etc.).

114. Given the role of literary creation as a vehicle for disseminating knowledge, ideas and information, the Community, in its policy on books, must capitalize on the diversity of languages and cultures and the wealth of editorial talent available. The Commission has become aware of substantial differences in the importance which the Member States attach to literary creation in terms of social security, tax and legal arrangements for writers and translators.

The Commission will turn its attention in 1989 to devising and pinpointing a coherent strategy in this area, with a view to fostering a common awareness of literature and creating a framework which will help to reduce disparities, boost the supply of translations, promote books by stressing the value of reading, and encourage the emergence of an internationally competitive publishing industry. At the same time, it will take steps to promote the training of literary and specialized translators and upgrade their status.

A steering group of Community experts, with observers from the Council of Europe and Unesco, will pursue its efforts to heighten public awareness of culture in Europe. The Commission will oversee the publication in 1989 of an initial set of European statistics on trends in the European book market and on the reading and buying habits of Europeans.

Society

Social solidarity

115. Following the symposium organized last December by the European University Institute in Florence, the Commission intends to continue its analysis of demographic trends in Europe and will define its position on the ageing process and the problems of the elderly.

116. As birth rates fall in the Member States, migration to Europe from the less prosperous countries and regions is growing. Prompted by its conviction that democratic ideals should also apply fully to immigrants and political refugees in the Community, the Commission intends to

keep an eye on developments and make appropriate proposals. More specifically, it will complete the study being conducted at the request of the Council on the integration of non-Community nationals who are permanently and legally resident here.

117. Despite rising standards of living and action taken at various levels, poverty is still a fact of life in the Community. Indeed, the scale of current and impending economic and social change is such that the number of poor people struggling with a particular handicap (illiteracy, long term unemployment, etc.) is on the increase, aggravating an already difficult situation. The Community needs to move away from one-off measures and take a long, hard look at the various forms of poverty, old and new, now affecting the population. The Commission hopes that the medium-term action programme which it has just proposed can be implemented rapidly to coordinate Community measures to promote the economic and social integration of the most disadvantaged.

Citizens' rights

118. Voting rights for Community nationals in local elections in their Member State of residence constitute an important element of democratic life. The Commission would like to see the directive it proposed last year adopted this year — a year of European Parliament election campaigns in all Member States — to give practical expression to the political and human dimensions of a frontier-free Europe in towns and municipalities where millions of citizens live their lives and contribute to economic and social activity.

In other priority areas bearing on individual rights, the Commission will endeavour to overcome the problems which have impeded progress in the past. It would like to see some movement on its proposals still pending before the Council, in particular those on the right of residence for students and persons not economically active, the easing of frontier formalities for travellers, and the removal of customs signs at the Community's internal borders.

The advance towards European Union will fail to carry conviction unless individuals are aware of their new rights established by Community legislation and the case-law of the Court of Justice, and have the opportunity and the desire to take advantage of them. This is an essential adjunct to compliance with primary and secondary Community law within the legal systems of the Community and the Member States. The

Commission will promote other measures connected with citizens' rights in terms of computerization and the use of data banks, and specific measures involving collaboration with solicitors, judges and barristers. Work will also be stepped up in a number of new areas (CB radio, works of art, etc.) to increase the transparency of Community law for individuals and businessmen.

Finally, the Commission will start work with a view to developing a European law of associations.

Consumer protection

119. The completion of the internal market gives a new dimension to consumer policy, which must now be seen as a major flanking policy aimed at ensuring that consumers can adjust to a larger and more diversified market for goods and services. Progress must be secured both as regards product safety — in relation to which a framework directive will be proposed during the first half of the year — and as regards protection measures to be adopted in the key areas.

On toy safety specifically, application of the directive adopted last year will call for the implementation of additional measures. On textiles, the Commission will press ahead with the work under way on the drafting of a possible directive on sampling and labelling. It will also make proposals in many other sensitive areas such as flammability, labelling and information on pharmaceutical products, nutritional labelling of foodstuffs and liability for defective services.

On consumer information, 1989 will see the launching of a European campaign to heighten awareness of child safety. Another priority area is information on home and leisure accidents involving consumer products. The Commission will consider the conclusions to be drawn from the experience gained with the system for the rapid exchange of information on dangers arising from the use of consumer products (Ehlass). Practical proposals will be presented to improve the transparency of access to services offered by the professions and facilitate consumer redress.

Health

120. The Commission hopes that Parliament and the Council will soon adopt the proposals for directives which seek to improve consumer information on the harmful effects of tobacco,

notably through the harmonization of labelling. It intends to present new proposals for a Directive on the prevention of smoking, concentrating on the marketing of tobacco products, and a decision on the second action plan (1990-94) of the 'Europe against Cancer' programme. In addition, the Commission will continue to encourage and coordinate the fight against cancer. On prevention and early detection, the Commission will co-finance the Community-wide extension of innovatory measures initiated in 1988. Similarly, steps should be taken to coordinate or align research efforts in the Member States aimed at developing an AIDS vaccine. As far as the training of health professionals is concerned, an initial series of grants will be provided for training in oncology for doctors and nurses and training seminars on detection by mammography. Studies and activities in the field of medical research will be pursued. The Commission also intends to develop activities aimed at controlling drug abuse.

Turning to the question of health information and education, 1989 has been designated 'European Cancer Information Year'. Over the next few months, all the forces involved in the fight against cancer will be marshalled and mobilized throughout Europe. The main objective will be to promote the 'European Anti-Cancer Code', with a view to reducing deaths from cancer by 15% between now and the year 2000. Ten 'prevention commandments' will be formally presented to Parliament, by the delegations of the 12 Member States, in Brussels on 9 May. 'European Anti-Cancer Week' (9 to 15 October)

will be another high spot of this European action programme.

European civil protection

121. The Commission intends to develop Community cooperation on civil protection further in 1989. The guide to civil protection in the Community produced in 1987 will be used as a basis for completing preparatory work on the pilot phase of a scheme for the interconnection of existing data banks to be launched in January 1990.

Sporting and cultural events

122. In 1989, Community involvement in sporting events attracting wide media coverage will concentrate on a number of well-established ones like the Community Cycle Race and Sail for Europe. A major concern over the next few months will be preparing and organizing an active Community presence at the next Olympic Games in Barcelona and Albertville. A measure of diversification could be envisaged in this context, combining a media-oriented presence (flags, emblems and special events) with a technological presence. In a related area, preparations for the 'Seville 1992' World Exhibition will get under way early in the year with the design and installation of the Community pavilion to serve as a focal point for the pavilions of the Twelve.

European society

Education and youth policy

- Proposal for Erasmus II programme (mobility of university students)
- Secondary pupils exchange programme
- Implementation of the 'YES for Europe' youth exchange programme
- Preparations for the launching of Lingua, the Community action programme for the promotion of language-teaching and language-learning in the Community (1990-94)
- Preparations for the launching of the Comett II programme (cooperation between universities and enterprises on training in the field of technology)
- Launching of the Science programme (cooperation between researchers; exchanges)

Culture and the audiovisual sector

- Amended proposal for a directive on 'Television without frontiers'
- Preparations for the conclave on the audiovisual sector

- Further promotion of the European audiovisual industry through the Media programme (development of production) (co-participation, high technologies applied to programmes, co-production of multilingual programmes, etc.)
- Paper and proposals on books and publishing (measures to boost the supply of translations, to develop translator training, to reduce disparities and upgrade the status of translators)

Society

Social solidarity

- Study and analysis of population trends in the Community
- Communication on ageing and the problems of the elderly
- Study on the integration of non-Community nationals permanently and legally resident in the Community
- Implementation of the 1989-93 programme for the economic and social integration of the most disadvantaged

Citizens' rights

- Proposal for a directive on the mobility and transport of disabled people (implementation of Helios programme); proposal on the Handynet network
- Pursuit of efforts to secure the entry into force of the directive on voting rights in local elections
- Opening of new Information Offices in Barcelona and, in the near future, in Italy, France and Germany; creation of European citizens' Info-centres and data-processing links; refinement of the public opinion survey Eurobarometer; expansion of the European Community's visitors programme
- Extension of the Euro-Info Centre network
- Work on the law of associations

Consumer protection

- * Proposals for consumer protection directives on product safety, labelling of pharmaceuticals and foodstuffs; liability for defective services; launching of a European campaign to heighten awareness of child safety; standardization proposal on toy safety; paper on a Community policy on consumer information; proposals on transparency of access to services and consumer redress

Health

- European Cancer Information Year (1989); further implementation of the anti-cancer programme; proposal for a second 'Europe against cancer' action programme (1990-94); proposals for the prevention of smoking
- Further implementation of the toxicology for health protection programme (1986-90)
- Coordination work in relation to an AIDS vaccine
- Development of health policy measures to control drug abuse

European civil protection

- Preparations for the launching in January 1990 of the pilot phase of a scheme for the interconnection of civil protection data banks; publication of the first version of a multilingual glossary of civil protection terminology; preparation of a 12-month public information and education campaign on civil protection; contribution to national simulation exercises and organization of an exercise in the Pyrenees; further discussions on the introduction of a single Europe-wide emergency telephone number before 1993

Sporting and cultural events

- Organization of Community-wide sporting events; preparations for Community participation in the Barcelona and Albertville Olympic Games and the Seville World Exhibition

Main proposals pending

European society

- Right of residence
- Television without frontiers
- Voting rights in local elections
- European standards for high-definition television
- * Package tours (I)
- Reversal of the burden of proof in the area of equal pay and equal treatment
- Ban on smoking in public
- * Maximum tar content of cigarettes (I)
- * Labelling of tobacco products (II)
- Lingua programme (foreign language teaching)

Key to stage reached by proposal

- *: Proposal subject to the cooperation procedure
- I: Proposal awaiting first reading by Parliament
- II: Proposal awaiting the Council's common position following first reading by Parliament
- III: Proposal awaiting second reading by Parliament following receipt of the Council's common position
- IV: Proposal nearing end of procedure following second reading by Parliament

**The President's reply to
Members' questions**

The President's reply to Members' questions (16 February)

Mr President, ladies and gentlemen, first let me thank Parliament for altering its agenda so that we could have the political groups' initial reactions to our programme for 1989 and to my presentation.

As the debate is to continue next time, I will be able to answer all the specific points then, including the one raised today by Mrs Ewing. Let us take them all together. We will answer them and we will take account of them in our programme.

But I *would* just like to deal with a matter of method. The Commission has a right of initiative. But a distinction needs to be made according to whether we exercise it within a specific institutional framework or in a more general political context.

Within a specific institutional framework, our duty is to give effect to what has been formally decided by the European Council or by an amendment to the Treaty. This we find easier to do with regard to our initiatives for the frontier-free market than for the other objectives; easier to do when the Council votes on a qualified majority basis than when it has to decide unanimously. I would even say that in the context of the Single Act the Commission's twofold duty is, as I see it, to work patiently at winning over each government to the step that needs to be taken and to seek consensus. I should not like these considerations to be overlooked when the Commission's role is being appraised. We might well dream of a Commission that had more powers. But we have to operate within our actual terms of reference.

Concerning the right of initiative at political level, I cannot help but remind you that Project 1992 was the Commission's idea; it was the Commission that made 90% of the proposals

that ended up as part of the Single Act; it was the Commission that managed, by dint of patient demonstration, to secure the agreement of the 12 governments in Brussels in February 1988. If you had opened a book and offered odds to MPs and experts a fortnight before the European Council, I'm not sure that many of them would have bet on the chances of success. I say this simply to show that at political level we have to demonstrate the utility of whatever we propose.

I come back to what Sir Fred Catherwood said. For anything that is not in the Single Act—economic and monetary union, for instance, for which a special committee has been set up—our first task is to show the people of Europe and the 12 governments that this additional and crucial step is worth taking. It will be a positive step in terms of growth, prosperity and independence. That is why I endorse what Sir Fred had to say. In the first part of the report which is to be submitted at the end of April, we must demonstrate the utility of economic and monetary union before going into details about its final stage and how we are to reach it—the various ways there are of reaching it. And so I believe that in judging what the Commission is doing, to make a fair judgment, you have to distinguish between what we do within the institutional framework and what we do at political level.

To sum up, in the institutional framework our duty is to give effect to what has been decided (and the decisions are sometimes anything but clear-cut), while in general political terms we have to show everyone that it is all to good purpose. We must never, I feel, forget this distinction in judging the Commission's programme.

There are other possible methods, other possible styles. I could make fine speeches on European Union. But then I would be asked—indeed, I would first ask myself: How do we go about it? Whom do we persuade and with whom? Believe me: the 'how' is every bit as important as the 'what'!

The President's reply to Members' questions (15 March)

Mr President, ladies and gentlemen, let me thank all of you for your comments and ask your indulgence if I do not reply to each of you individually: I wanted to be rather more systematic in my answer.

To begin with, this debate has reflected a certain ambiguity which stems from the fact that the Commission has spoken twice to you since taking office. First, in the inaugural address, I indicated what the new Commission's main political priorities were to be, with some personal thoughts on relations with 'the other Europeans' as a stimulus to discussion. Then, on behalf of the Commission, I presented to you our programme for 1989 — a more operational exercise that is subject to the constraints imposed by the political life of the institutions, of the Parliament, Council and Commission in particular. So, please do not expect this second exercise to perform the function of the first. We are hoping that our programme will enable us, with your assistance, to work out the priorities, to bridge the gaps. But this has nothing to do with the political resolve expressed by the Commission in the inaugural address.

However, I will answer the more general questions, notably those from Mr Pannella, for I cannot but be aware of the fact that in three months the elections will be upon you.

Our objective — let me say again, with apologies for repeating myself — is that the Commission shall help to implement the Single Act, all of the Single Act. And, as Mr Metten pointed out, there are grounds for vigilance, if not concern, for we are currently up against — why hide the fact? — two political stumbling blocks. The first comes from a difference in interpretation of what the Single Act is, of what actually constitutes it. The Commission is constantly having, and is duty-bound, to restate what the Single Act really means. I'm sure you realize — I will come back to this in a moment — that were we to draft a White Paper on the social issues, we would be laying ourselves open to the charge of overstepping the limits of the Single Act. It's all a question of strategy, when we also consider that our duty is to try and find consensus between our 12 countries. Should this consensus one day prove unattainable, it will be for the European Council to come to a decision and not the Commission on their behalf. Not all the Member States look upon the obligations of the

Single Act with the same eyes, and that, as I said, is certainly cause for concern.

The second stumbling block: as we approach the completion of the single market, contradictions are emerging. There are conflicting interests at stake. And you are going to come upon more and more such cases this year. We have already had to settle one about Dutch aid for low-polluting cars. I won't dwell on this, as Mr Bangemann will be talking about it this afternoon. But you can see that in this instance we have to decide whether to give priority to completing the internal market or to respecting diversity and higher environmental standards. Parliament will find such matters cropping up very frequently on its agenda in the months ahead. That is why the Single Act contains, as you may recall, and I apologize for going into detail — an Article 100a (4), which makes provision whereby member countries will be able to maintain higher standards in the matter of working conditions and the environment.

Those, I feel, are the two basic points that help to explain the precautions the Commission is taking and the fact that it wishes to be unassailable in applying the whole of the Single Act.

I will now, at the risk of boring you, answer some of the questions raised which call for some elucidation.

Let me begin with transport infrastructure, mentioned by Mr Romera. We have made a general proposal that seeks to improve all the transport and telecommunications infrastructures in the Community, and for one simple reason: we cannot have an effective single market, nor can we fulfil all the potential indicated in the Cecchini Report, unless we can move to and fro faster and more cheaply throughout the length and breadth of the Community. But the governments have so far refused to give this programme their consideration, despite our many proposals concerning, in particular, the financial aspects. We were asked to accommodate financial innovations.

We did. But for four years we had been trying to persuade them that national programmes were not enough and that a few large-scale projects like the Channel Tunnel would have a huge psychological and political impact while enabling us to forge stronger interregional links and speed the development of the outlying regions.

On the subject of poverty, which Mr Ulburghs was right to bring up — and it is Parliament's role to do so — we have a programme. But it

is a modest effort compared with the scale of the problem. The question is whether our 12 member countries are ready and willing to consider this issue at Community level. For the moment they aren't, for psychological and political reasons on which I don't need to enlarge.

Thirdly, concerning the 'European house', also mentioned by Mr Ulburghs, I would refer him to what I said on 17 January, to which I have nothing to add. On the situation of women, the point raised by Mrs d'Ancona and Mrs Salisch, I could recite all that was done last year and all that we are going to do this year. I will spare you that now and let you have it in writing. There are, however, two more important considerations. The first is that we must start now to prepare the third action programme since the current one will run out next year. The second is that it would be paradoxical, just as Parliament is urging us to produce and we ourselves are proposing — it was I who made the proposal — a charter of social rights in the Community, to be adopted formally by the European Council, if we failed to sustain, in fact to redouble, our efforts to improve the situation of women.

Such a charter of social rights will provide us with further reason to emphasize the need for each country to give effect — I'm not calling for masses of legislation! — to equality of opportunity for men and women. Some of our projects have to do with specific aspects of the situation of women and are vitally important to women's dignity.

On energy, of which Mr Linkohr spoke, we have a conflict of interests between the environment, the single market and security of supply. What we have tried to do on our side is to initiate with the country most closely concerned negotiations and discussions which give us a good grasp of the problems and, in the event of further developments, enable us to follow up with due regard for all the regional and social considerations. Naturally, certain countries are asking us: Why isn't there a common market for energy like those for other goods and services? We are well aware of how highly sensitive this issue is, and it will be handled accordingly.

I would thank Mr Hutton for having raised the matter of fraud. We have set up the fraud squad to give us a better idea of what the Commission is now capable of doing to deal with it and, obviously, we must make full use, as Mr Hutton said, of the existing regulations. But I am still convinced that we shall one day have to face the political issue of whether the governments are

providing the Commission with all the assistance it needs to combat fraud. However, the experience of the fraud squad will stand us in good stead and we shall have an opportunity to discuss this again, particularly with Parliament's relevant committees.

Mrs Focke focused the whole of her statement, wide-ranging as it was, on the concept of 'fortress Europe'. Since she will not be in the next Parliament, I hope she will allow me to pay tribute to all the work she has done in this one, especially at the head of the Committee on Development and Cooperation. She is right when she says that the developing countries, notably the parties to the Lomé Convention, are very worried. The Japanese-American offensive against fortress Europe has paid off, for we find concern everywhere and Commissioner Marin has already been at pains to explain that we are an open and not a fortress Europe. But you are right. We really must put a great deal of effort into explaining our case, and our deeds must match up to our words. For the moment we have two plans, which, I believe, fit the bill. First, under the next Lomé Convention, we are trying to get the Member States to agree to special measures that will enable these countries to go ahead under better conditions with what is termed structural adjustment — putting their economies on a sound footing. But this they cannot do unless they can sell what they produce.

That is why, and it is not simply a matter of finance, we have to open up our markets. And they too need to be in a position, at the most difficult juncture, to import the goods which will enable them to prepare the new phase of growth after their structural adjustment has been effected.

Second, the Commission discussed with the Finance Ministers, last Monday, a proposal concerning the debt burden of middle-income countries. You know, Mrs Focke, that the Community — I am not giving credit to anyone in particular — spoke with a single voice and made proposals, which were accepted, for lightening by about one third the debt burden of the poorer countries. This year we made a proposal for the middle-income countries. It is far more difficult than with the poor ones, for circumstances vary widely: some countries are indebted mainly to banks and the private sector while others are indebted to States. But I can tell you that the philosophy behind this proposal is simple: we must not only provide funds, we must also enable those countries to export and import. It is the same problem that we had with the Lomé

Convention. I hope that we will manage to persuade the governments that in order to move towards a more equitable and better balanced world economic order, we must advance on all three fronts at once — towards greater monetary stability, better allocation of financial resources and more open trade. The three keys to success!

This brings me to the key to our mutual understanding: we must determine where the priorities lie and who is to do what.

I don't think the Commission can be asked to do everything. I have drawn up a kind of schedule here; it's a bit rough and ready, but it will help to make things clear. First of all comes completion of the internal market. Here the ball is well and truly in the Council's court, since we have presented 90% of the proposals. So what can the Commission do? Endeavour to reconcile differing viewpoints, try to be flexible and resolve the issues, try to push ahead with the two matters you raise so often — taxation and the elimination of frontiers. It is not for nothing that I have asked one member of the team, Mrs Scrivener, to take charge solely of taxation. For the moment, of course, nobody is yielding, but a solution simply must be found. And we must not forget that we have an initial deadline on 1 July 1990 — the date by which the legislation on the liberalization of capital movements has to be implemented.

Second, as regards economic and social cohesion, it is now up to the Commission, the Member States and the regions to demonstrate that the reform known as the 'Delors package' was sound. It is not merely the fact of having managed to double the structural Funds: we must now show that we know how to make good use of the money and that we get results in ensuring that all the regions have an equal chance of making the most of the single market. That is what we are playing for over the next three years. We cannot now, as you know, ask for more money. There is a kind of pact between our 12 member countries, made in February 1988, on the doubling of the structural Funds for 1993. But if we, the regions, the States and the Commission, fail to come up with sensible programmes, comprehensive programmes, mobilizing the human and natural energies and resources of each region with the technical and financial assistance of the central governments and the Community, I feel that 1993 will be a distressing setback, for we shall not then be in a position to complete the single market with a minimum of solidarity between the regions.

On the environment, considered by Mr Collins and Mrs Jackson, all three institutions have to

move forward together. Mrs Jackson said that more skilled staff were needed as well as more cooperation with national officials. That is our feeling too. As one national conference follows another, for the sake of the environment we must reconcile initiative and drive with caution in our scientific assessments. The European Environment Agency, which I proposed, should therefore have a heavy stake in research, so that we do not inflame public opinion and so that we reach our decisions on the soundest possible bases. Of course, there will always be disagreement between scientists. But at least the politicians can take their risks after weighing up all the contingencies. You will have observed, for example, that on the ozone layer the scientists are not all of one mind.

It will also be for the three institutions to broaden scientific and technical cooperation in general.

This year we shall be revising the multiannual development programme, for there is more we can do.

I now come to the social dimension, broached by Mrs Salisch and criticized by Mr Gomez. I tell you frankly, I will not ask the Commission — and it can disown me on this — to draw up a White Paper on the social issues. Why? Because our objective, at this time, I repeat, is to implement *all* of the Single Act. In the face of the undeserved, almost slanderous, accusations levelled at the Commission, we might answer back, lose our cool, but we must still show that we know where our duty lies and what we have to do.

I personally made six undertakings on the social dimension. And they will be honoured.

The first was to prompt the Member States towards stronger, job-creating, growth. This has already been going on for two years. It must be sustained, for the social dimension means, more than anything else, reducing unemployment. Of course, there's more to it than that, but that's the heart of it.

The second was to implement the new structural policies, which I have just been talking about.

The third was to apply Article 118a. This we are doing with your help, and we shall make full use of the scope of Article 118a. Clearly, the conditions governing health and safety at work must be harmonized upwards and not downwards. Sensibly, but still upwards, so as to obviate any fears of social dumping.

The fourth undertaking was to draw up a charter of social rights. I mentioned this earlier in connection with the situation of women. I don't know whether you noticed that the Economic and Social Committee mustered up an 80% majority on this. The Committee has played its full part here. The Commission was criticized when it consulted the Committee. But surely it must be counted a mark of good sense to ask the representatives of all working people — businessmen, staff delegates, trade unionists, farmers, professional men and women — to apply themselves to this issue and ascertain whether there is agreement between them. Well, this opinion, carried by eight out of ten members, proves that a consensus exists in Europe on a certain conception of the place of men and women in society, on their relations, notably at work, and on a minimum of social rights. My dream is that the European Council will formally adopt this charter of social rights as a testimony to the fact of our being a Community based on the rule of law, rooted in a certain conception of society and of the relationships between men and women and that society. That is my hope, and you know that even though the charter is not legally binding it will give us the moral strength we need to develop the social dimension.

The fifth undertaking was the European Company and the place of the worker in it. Here, I would like, on behalf of the Commission, to congratulate Parliament on the rapidity and quality of its work, and on the fact that you also secured a large majority, which is very encouraging.

The sixth undertaking was the social dialogue. True, we must not exaggerate its importance, but it would be paradoxical if, in our societies as they are, there were social dialogue at company, at regional and at national level and nothing at European level, where quite a lot of things are going on.

I myself, for the moment — I know I shall disappoint some of you — intend to concentrate, and I want the Commission to concentrate, on these six objectives. Believe me, if we compiled a grand White Paper on the social issues, we would complicate the political debate between the Member States at a time when, I assure you, they already have a lot on their plates.

Finally, it is up to the European Council, since I'm mentioning everybody, to discuss economic and monetary union. And here, we must be quite clear. We must distinguish, and I'm speaking in particular to Mrs Cassanmagnago Cerretti,

between the *ad hoc* committee and the Commission, even though the two bodies are chaired by the same person for reasons which are perhaps not logically self-evident.

The *ad hoc* committee will be submitting a report that will spell out the issues involved in economic and monetary union, what it demands, what transfers of sovereignty it entails and what gradual steps can be taken in that direction. No more than that. It will be for the European Council to take the political decisions. The committee's job is to explain in plain, unvarnished language, just what that means. Once the committee has submitted its report, my fellow Commissioners and I will discuss it as a political institution and announce our own position — a political position, of course.

So there we have, I think, a sound allocation of responsibilities, so that everything is not asked of the Commission. I think I have explained what the Commission can do, and what is done elsewhere.

But on the eve of the Parliamentary elections, it was in order for Mrs Cassanmagnago Cerretti to raise certain problems. She is right. We are having a great deal of trouble in moving from the 'Europe of necessity' to the 'ideal Europe'. The points she has raised must be borne in mind. Otherwise, our Europe will lack flesh and blood, will have no soul and will not get very far.

Mr Pannella too was right about the institutions. I would like to tell him that the social dialogue, whatever its importance, can be no substitute for reflection on the part of the institutions. The social dialogue is a factor, a constituent of European society. It must not be allowed to mask the problem confronting us: what progress can our Community make to be more effective and move towards the goal formally acknowledged by the member governments, that is European Union? As for the 'other Europeans', Mr Pannella put his finger on a vital point. When our brothers on the other side of the Iron Curtain look at us, they do not see our material prosperity and our relative economic efficiency alone, they do not merely see the way we live: they see that 12 sovereign countries have joined together in a community based on the rule of law and that in this community the smallest country has its say like the others. On the key issues we decide by qualified majority vote. That is what impresses them.

But they will be even more impressed if we are able to continue along this path, and if we can give them a sign one day that, provided they have satisfied the requisite conditions as regards

human rights, respect for life, certain rules of society, they too can join up with us in one way or another. I hope that somehow we can find the political sign which would let us show that we, the Twelve, are concerned not only with the EFTA countries but with all of Europe. I believe that this is also one of the issues for Parliament and for the coming elections. I hope that this question will be developed intelligently and not merely come to a straight choice between accession and the Luxembourg Declaration. In

my inaugural address on 17 January I simply wanted to clarify the issue. There is a marriage contract between the Twelve. You can accept it, but you cannot have one foot in and one foot out. That said, the Community must hit upon forms of cooperation, must stretch out its hands to the other Europeans.

How are we to reconcile the two, on the face of it contradictory, things? It is along these lines that the Commission is now directing its thoughts.

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