

A European Community — Why

European File

Factory closures, unemployment, spending cutbacks, declining standard of living, inflation — these words have freely abounded in conversation and newspaper and TV reports throughout Europe in recent years and are a sign of the hardship that Europe has suffered. Recent economic indicators show a slight but not necessarily permanent improvement. More and more citizens have felt the impact of the economic crisis in their everyday lives, a crisis triggered in 1973 which has hit all industrialized countries to greater and lesser degrees.

Scale of the crisis

- Unemployment, first and foremost, has increased dramatically. During the first half of 1978 it reached the level of 10 % level in Ireland, in three provinces of Belgium and in several other regions of Europe. In southern Italy where it has reached around the 20 % mark in Campanie and Basilicate. The total number of unemployed in Community countries stood at six million in October 1978. The average between 1960 and 1970 was only 2.1 million.
- Economic growth rates in Community countries have fallen. The average growth rate in 1978 was 2.6% against 1.8% per annum between 1974 and 1977 and 4.6% per year between 1960 and 1970.
- Inflation is still high and in 1978 averaged 7.5% in the Community after reaching 13% in 1974 and 1975, compared to an average 3.3% per year between 1958 and 1967.

- Industries in third world countries are competing more and more with our own in sectors such as textiles, shipbuilding, steel and petrochemicals.' The 1973-1974 fourfold increase in oil prices, and price rises in other imported raw materials were the first signs of a significant readjustment in the balance of the world economy.
- The international monetary crisis has not helped either. The US dollar has consistently dropped in value whilst remaining the principal means of payment in world trade. Variations in European exchange rates are a measure of the divergences in economic efficiency. They discourage trade and therefore industrial investment.
- The improvement in standards of living and social welfare, characteristic of the years of prosperity, have been interrupted. Social and regional inequalities have deepened. The limits on funds available have made it more difficult to find answers to new demands for a better quality of life.

The economic crisis was preceded by a veritable 'moral' crisis and the limits of badly distributed and purely quantitative economic growth have been evident to a number of social groups and most naturally to the young.

- Large pockets of poverty persist in the least developed or declining regions, even in close proximity to opulence. Things are worse, of course, in third world countries. Approximately one third of the world's population is hungry.
- In addition to the problems experienced by workers are those suffered by consumers. The workers in our 'programmed' society often have boring and repetitive jobs which demand little skill and which they must perform within a rigid hierarchical structure. Consumer needs are accentuated rather than fulfilled by advertising, waste and the multiplication of personal goods — the paltry remedy for the social isolation felt in large urban and industrial concentrations.
- Economic growth pushes us nearer to human and natural limits. New progress seems to amount to further attacks on the person — noise, fatigue, insecurity — or on the environment. Pollution is increasing and the dwindling reserves of certain raw materials lead to disturbing forecasts.

These are the principal challenges being tackled by Europeans. Should they approach them together or separately ?

Peace and economic recovery — first Community successes

1951 saw the signature of the Treaty setting up the European Coal and Steel Community (ECSC), followed in 1957 by the Treaties creating the European Economic Community (EEC) and the European Atomic Energy Community (EAEC or Euratom). Six countries signed the Treaties at the outset : Belgium, France, Germany, Italy, Luxembourg and the Netherlands. Three others joined in 1973 : Denmark, Ireland and the United Kingdom.

Their aims were :

- to lay down in the aftermath of the Second World War the foundations of a European union which could rule out conflict between its members and provide the countries with a voice in a world dominated by major continental powers;
- to provide economic recovery and then expansion through the creation of a common market, starting with the coal and steel sector — the two basic materials which were the sinews of war — and then extend the experience gained to the whole economy of each Member State.

In the first stages, the results exceeded expectations.

- During the first five years of the ECSC, trade in coal and steel amongst the Six increased by 129%. Between the creation of the European Economic Community in 1958 and its expansion in 1973, trade amongst the Six rose from 7 to 54 billion European units of account ¹ for all products. Amongst the Nine, trade reached 168 billion EUA in 1977.
- Supplementing the increase in trade with the rest of the world, this development enabled consumers to be supplied with a more extensive range of goods. By stimulating competition — for which the Community is the watchdog — it also helped keep down price rises.
- European industry — with a domestic common market of 192 million people at its disposal in 1972 and 260 million at the present moment — has been able to rationalize production and raise productivity. The same has been the case for agriculture.
- Europe has consequently seen economic expansion without precedent. Between 1958 and 1972 — the year which signalled the beginning of the international economic crisis — the Community's gross national product had increased by 90%, compared to 42% in the United Kingdom and 61% in the USA. To take the example of just one of the standard of living indicators, the number of telephones per thousand inhabitants had risen from 80 in 1958 to 216 in 1972 (309 in 1976), and the indicator for cars had risen from 76 to 251 (274 in 1976).
- Above all, peace was maintained between the old adversaries. Human contacts have multiplied between men, women, leaders, politicians, civil servants, trade unionists, employers and farmers etc. and have helped build up greater trust between peoples who have been divided for too long. 'We are not only bringing together countries, we are uniting people' wrote Jean Monnet, one of the founding fathers of Europe. As a sign of the Community's attraction, Greece requested to join in 1975, and Portugal and Spain followed suit in 1977. Negotiations are still continuing with these countries.

¹ 1 EUA = approximately £ 0.67 (based on the rate prevailing on December 5, 1978).

Common Market and interdependence

Throughout the last three decades, the work of the common market has helped develop interdependence between Community countries.

- The free movement of men and services had enabled workers, traders and industrialists to move to and work in the countries of their choice. Migrants benefit from equal treatment over wages, social security and trade union rights. The Community is currently working to :
 - extend these rights to the liberal professions by harmonizing national criteria and qualifications;
 - encourage language teaching and the mobility of university students.
- The free movement of goods has by and large been accomplished. Customs duties were totally abolished for the six founding countries in 1968 and in 1977 for the others. In consequence, trade amongst the Nine has considerably increased and today represents a little more than half of their total trade. This vast domestic European market enables large scale production costs to be reduced. Countries which decide to turn in on themselves will lose this advantage and will be condemned to decline.
- European competition rules have been implemented. The objective is : to ensure that companies do not reach agreements or form cartels, or abuse a dominant position, either to the detriment of other firms or at the expense of the consumer.
- In the agricultural sector, where State aid is an established tradition, a European policy has been introduced based on common prices and on Community price support. 8.7 billion EUA were spent in 1978 to guarantee the security and the price stability of our food supplies, to modernize farming and assure an acceptable living standard for farmers. New efforts are necessary however to eliminate the distortions created by exchange rate fluctuations in Europe, to prevent the creation of surplus stocks, to assure the future of farming in Mediterranean areas, and to introduce a common system covering fishing.
- Another consequence of the free movement of goods within the Community has been the common customs tariff applicable to the rest of the world. International trade agreements and the introduction of measures to guard against uncontrolled competition from third countries are now within Community powers.

The Community has thereby emerged on the international scene as a single body — the most powerful grouping in the world since it accounts for 21% of world trade, excluding intra-Community trade.

The Community has used its weight to :

- liberalize international trade. Reciprocal reductions in customs duties have been negotiated. Free trade zones have been set up with other western European countries. A regular dialogue has been instituted with the other major industrial powers;

- encourage the development of the Third World which is our principal supplier of raw materials and our leading export market. Preferential and cooperation agreements have been concluded with Mediterranean countries as well as with the 55 African, Caribbean and Pacific countries party to the Lomé Convention. Community aid within the framework of this Convention will amount to 3.4 billion EUA between 1976 and 1980. Other agreements have been concluded with the countries of the Indian sub-continent and certain Latin American countries. Generalized preferences permit all third world countries to export to the Community finished and semi-finished products up to a value of about 7 billion EUA without paying customs duties.

Interdependence and solidarity

Along with the growth of the Community, contacts have multiplied between the need for interdependence in other sectors.

This is the case, for example, in :

- the harmonization of norms applied to goods : the differences between national legislations create technical obstacles to the free movement of goods; for mass produced goods the creation of a true common market has required a certain amount of standardization without which the consumer could not draw benefit from large scale production;
- taxation : despite the abolition of customs duties, border controls cannot be abolished until VAT rates applied to different goods are harmonized;
- environment and consumer protection : to oblige national car manufacturers, for example, to instal new and costly anti-pollution or safety equipment can put them at a severe competitive disadvantage in relation to their European rivals, except when the same measures are obligatory to all car makers in Europe by way of the harmonization work carried out at the Community level;
- regional policy : uncoordinated public aid can help 'export' unemployment to its neighbours. It can also enable large firms to play off countries or markets against each other;
- social policy : the member countries of the Community are increasingly hesitant about taking major and expensive social measures in the industrial field (e.g. the possible reduction of the working week to 35 hours) though they need to be applied at the same time by companies in neighbouring and competing countries in the common market;
- science policy : investment needed in this sector is increasing. By combining their efforts in laboratories and in industrial research bureaux, our countries could achieve at lower cost results which would otherwise have been outside their reach;

- industrial policy : the Community imports most of its raw materials and will import — for a long time yet — most of its energy supplies. We therefore need to remain open to trade with the rest of the world and our industry should be able to resist increasingly sharp foreign competition. Recent examples (aerospace, data-processing, etc.) prove that none of our countries is capable of working alone in the sectors which will determine the industrial future of Europe.

Common responses to the crisis

The economic crisis has imposed new objectives on the Community. The scope of the challenge we are faced with and the interdependence of Community countries calls for joint responses.

In a troubled world, only the economic and monetary union of Europe can enable our countries to create a zone of relative stability. Whilst guaranteeing the future of the common market, this stability would stimulate investment, create jobs. The Community has already decided to introduce in 1979 :

- a European monetary system to provide exchange stability between European currencies — with the exception as of now of the Pound Sterling — in relation to a common measuring unit, the ECU (European Currency Unit). The system is made up of a 'basket' of Community currencies. Community countries also decided to pool 20% of their gold and dollar reserves;
- more effective coordination of national economic policies. It is difficult to maintain stable relationships between currencies when inflation rates differ by as much as 10%;
- joint action to resolve structural imbalances. In the framework of the new monetary system, a sum of six billion EUA will be put at the disposal of the least prosperous countries in five years time.

The need for such joint action extends to a number of other fields, in particular :

- social policy. Since the 1971 reform, the European Social Fund has subsidized vocational training and retraining programmes and this has affected more than two million workers. The cost of this in 1978 was close to 600 million EUA. Special programmes exist for the coal and steel sector, for female workers, young unemployed, migrant workers, etc. The Community is also trying to improve working conditions and promote workers' rights, particularly in cases of collective dismissals, mergers or bankruptcies. Action needs to go further than this : there are six million unemployed in Europe and national employment policies have been ineffective in finding solutions to this problem which constitutes a real human nightmare and a considerable economic waste;
- regional policy. Community apparatus has already been set up : a European Investment Bank whose loans — around 8 billion EUA between 1958 and 1977, two billion alone in 1978 — have for the most part (75%) helped support investment

in the poorest regions. And since 1975 a European Regional Fund which was endowed with 581 million EUA in 1978 and which should, according to the European Parliament, have had 1.1 billion EUA in 1979.

Increased efforts in regional policy are required to :

- put the brakes on rural population decline and conversely help resolve the problems of the large industrial concentrations;
- assure a readaptation in the declining regions;
- permit all member countries, current or future, to progressively reach comparable economic and social positions;
- modernize the Mediterranean regions with a view to the enlargement of the Community with the addition of Greece, Portugal and Spain;
- industrial policy. The Community has been able to negotiate agreements with other countries which offer sectors in difficulty — steel, textiles, etc. — the possibility of reorganizing themselves with its assistance. In the coal and steel sectors, it contributes to investment through loans which totalled 5.6 billion EUA over 25 years. But here again, we need to go further. Europe can never be a hospital for sick industries. Industry has to be redeployed towards growth sectors as this can be the only way to assure new and viable jobs.

Such redeployment has to be coordinated at the Community level to :

- guarantee the optimal use of available resources and avoid ruinous duplication of effort;
- safeguard the unity of our common market which could be compromised by divergent national policies;
- develop, on a more solid basis, industrial and commercial cooperation with third world countries. Rapid industrialization in certain of these countries is causing us problems in a number of sectors. But the rising standard of living in these countries offers us the possibility to increase exports, particularly capital goods;
- energy policy. Our dependence on outside countries is heavy : imports accounted for 63% of consumption in 1973 and 56% in 1977. Energy savings measures need to be stepped up and new energy sources developed. The coordination of national policies is essential in this field. Greater cooperation would permit :
 - better exploitation of research investment;
 - agreements with oil producing countries to guarantee the volume and cost of our supplies.

Europe : a choice for Europeans

Europe is no longer a matter for technocrats. It is Europeans themselves — all citizens of the Community — who have to answer the major questions of today :

- Just how far are we prepared to go to reduce social and regional inequalities in the Community and in the countries that wish to become members, to enable all countries to become completely integrated in European economic and monetary unions ?
- How can we guarantee jobs — and if possible jobs which satisfy aspirations — for today's unemployed and for our children tomorrow ? Must we share out the jobs which are currently available ? Must we put more accent on greater competitiveness in industry ?
- What type of economic growth are we looking for, and based on what form of productive system ? What objectives for consumption ? What degree of intervention by public authorities ? What sources of energy, nuclear or not ? And are we ready in all these fields to pay the price of our choices ?
- Just how far and at what speed do we want to move on the road to European union ? What form do we want this Europe to take, and what type of society and civilisation do we want ? What sort of relationship do we want to have with the other major powers and with the countries of the third world ? To what extent are we ready to extend our support to the latter ?

How Europeans reply to these questions will determine the nature of the Community, our Community. The direct elections to the European Parliament in June 1979 are consequently vitally important. For the Community they are both a factor for democratization and a factor of strength — through these elections the citizens of Europe will be able to state how they wish to get out of the crisis and what type of Europe and what type of society they want to see emerge■

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