

The European Community in the 1980s

European File

Unemployment, inflation, energy, raw materials and food supplies industrial re-structuration, international trade, Third World development, social and regional inequality, the quality of life: all these problem areas are currently at the forefront of European politics. And rightly so. They are a long way from being solved. But can we overcome them solely through action at the national level? Or can action at the European Community level tackle them more effectively?

The expression and instrument of growing solidarity

For a long time the countries of Europe have been consumed by bloody war. Peace between them is now virtually guaranteed and the Common Market, by progressively ensuring the free movement of both people and goods, today forms a solid foundation for the emerging European union. Since the beginning of the 1950s — thirty years ago — growing solidarity between Western European countries has been evident:

- *through historical events*: in 1951 the Treaty establishing the European Coal and Steel Community (ECSC) was signed; 1957 saw the signing of the Treaties creating the European Economic Community (EEC) and the European Atomic Energy Community (EAEC or Euratom). Six countries were party to the original Treaties: Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands; three other countries joined in 1973: Denmark, Ireland and the United Kingdom. Greece will join the Nine on 1 January 1981. Spain and Portugal are currently negotiating accession to the Community.

□ *through common institutions:*

- the European Parliament, composed of 410 directly-elected members, watches over the Commission and the Council, gives its opinion on Commission proposals and, together with the Council of Ministers, has to approve the Community budget;
- the Council of Ministers, composed of national ministers, decides on the principal Community policies. Also the Nine's Heads of State and Government meet three times a year as the European Council;
- the European Commission composed of 13 members chosen by mutual agreement amongst the national governments, ensures Community rules are respected, proposes common policies for the Nine, and implements them;
- the European Court of Justice, composed of nine judges and four advocates-general, ensures that Community law is respected by Community institutions, national governments and individuals;
- the Economic and Social Committee and, for coal and steel questions, the Consultative Committee, gives opinions on Commission proposals. These Committees are composed of representatives from employers, employees, consumers and other interest groups;
- the Court of Auditors, composed of nine members, watches over the use of the Community budget,

□ *in relations between member countries:* the removal of customs barriers has helped expand trade between the Nine to the point where it now constitutes more than half of their total trade, compared with scarcely one-third in 1958. Employees, traders, industrialists and, increasingly, members of the liberal professions can live and work in the country of their choice. Consumers benefit from a greater choice of goods, sharper competition between companies and increased productivity through more large-scale production. Agricultural prices are set jointly and, in this area as well, trade has expanded. In creating such a common market, a number of problems must be resolved once more, since purely national solutions are often ineffective. It is useless for a government, for example, to try and impose a straitjacket on an investor if he can simply shift his operation to neighbouring countries where his products will have access to the whole Community territory.

□ *at the world level:* the Community has set up a common customs tariff in trade relations with the rest of the world; it negotiates as a unit with the major industrial countries, with China, with the developing countries; it encourages the Nine to coordinate their foreign policies and speak with one single voice in a number of international fora. This is in the interest of all parties. The Community has, after all, economic weight comparable to the other great powers which dominate the world scene. It has 260 million inhabitants, compared to 267 million in the USSR, 223 million in the United States, 118 in Japan. It is the foremost trading

power in the world, accounting for more than 22% of total trade (excluding intra-Community trade). It is the foremost partner of Third World countries both in terms of trade and development aid.

With all this behind it, the Community is well able to tackle the major problems which confront us.

Unemployment: the great challenge of the 1980s

Until the crisis of 1973-74, the expansion of the Common Market had enabled the Community to enjoy economic growth rates even higher than the United States. Growth has now slowed down and unemployment has risen to around 6 million in Europe, especially affecting young people, women, workers in problem sectors and regions.

- In a period of tight markets which makes it difficult to increase the workforce through greater output, it might be possible to tackle the problem of unemployment by changing working hours. At the end of 1979, the European Council of Ministers approved two resolutions covering limitations to the systematic use of overtime, flexible retirement, part-time work, temporary work, shift work, the annual volume of work and on the job training. In consultation with the social partners, the European Commission has been examining the various opportunities for a Community approach. These 'social remedies' to the unemployment nightmare will find more support from industries competing internationally if they are coordinated at the Community level.
- Further action still is required. The roots of the problem must be dealt with: the rise in raw materials prices and, above all, of imported energy; inflation and international monetary fluctuations which discourage investment; competition from certain developing countries in the Third World; our late start with the new technologies. Greatest effectiveness can be achieved through a Community response.

Beating inflation

In 1979, the average rise in consumer prices in the Community stood at around 10%, though certain countries experienced 14% or more. The consequences of inflation are well known: those with the highest price rises become less competitive, external trade falls into deficit, the national currency loses value. Exchange-rate fluctuations themselves discourage investment and exacerbate unemployment. A European response is even more vital because:

- 800 000 million dollars can be rapidly wired across the world in search of the most favourable exchange rates of the moment. No Community country can hope to be able to resist the pressure of speculators and the consequences on its exchange rates.

- variations between rates of inflation, rates of economic growth and the competitiveness of the Nine can fuel suicidal protectionist tendencies and retard economic recovery. The countries with deficit trade balances must cut back on consumption, thereby shrinking the market for those most likely to succeed.

Faced with this situation, the Nine introduced in 1979 a European Monetary System based on exchange-rate stability and the pooling of a portion of monetary reserves. When European currency rates diverge, corrective economic measures and reciprocal monetary support can be brought into action. To encourage political convergence the Nine also decided to amplify the joint action already initiated on several fronts to improve the economic development of the least prosperous European countries and regions.

Whilst awaiting the creation of a European currency, the Nine have tried to limit the impact of monetary fluctuations on their internal trade which today represents half of their total foreign trade. Consolidating the Common Market requires a mutually agreed common discipline. This in itself presents a brighter picture for investors who in turn can help limit job cutbacks.

Meeting energy demand

Between 1973 and 1974 Europe saw a fourfold increase in the price of the imported oil which accounted for half of its energy needs. Further substantial increases were recorded in 1979. The effects were: foreign trade deficits, higher inflation, slower economic growth, increased unemployment. To resolve this dilemma we must:

- make better use of energy to ensure that economic growth does not demand a parallel increase in energy consumption. This is a real possibility: energy savings can create numerous jobs.
- set a limit to oil imports and make greater use of substitute energy sources: coal and nuclear over the short term; solar, geothermal, controlled thermonuclear fusion over the longer term.
- negotiate with the other large energy-consuming industrial countries whose imports put increasing pressure on the energy market, and with the oil-producing countries whose economic development is complementary to ours.

Working in isolation, our countries cannot accomplish a great deal. Economy measures imposed on the large energy-consuming industries could initially reduce their competitiveness if their other Common Market competitors do not face the same obligations. Considerable resources — which are difficult to amass at the national level — are required to reach the most effective level in energy research and industrial development. Without European coordination, the risks of duplicating effort are quite obvious. Reducing oil consumption in one country will have little effect on prices if other importers do not follow suit. Finally, in negotiations with their external suppliers, our countries individually do not always have sufficient weight.

Combined action by the Nine is needed. The Community already plays a significant role in energy research and investment. It has been able to reach agreement with the USA and Japan on a ceiling for energy imports for the period 1980-85. But a lot still remains to be done if we wish to transform our external dependence into a more balanced relationship and revive economic growth on a healthier, less inflationary and more environmental basis.

Feeding men and machines

Energy products are not the only natural resources which are indispensable to human activity. Man needs food and industry needs other raw materials.

- The Community is the foremost world importer of agricultural products and one of the principal exporters. It has introduced a Common Agricultural Policy which contributes to food supply security and stability in the European market. The CAP, through a system of price support and Community preference, protects farmers' incomes and at the same time protects the consumers against sudden price fluctuations or shortages. Agriculture — the principal sector in which a European policy has been established — takes a major share of the Community budget which is burdened with the cost of financing surpluses, particularly milk, resulting from technological progress and price support mechanisms for certain products. The Community is trying to reduce these surpluses by reconciling the interests of farmers, consumers and third countries. It is also trying to reduce regional disparities between the mountain and Mediterranean zones and the more prosperous agricultural regions and to prepare the former to face up to competition from the Mediterranean countries which are due to join the Community. Finally, Europe supplies a substantial portion of the food aid and the rural development aid to the Third World; this act of solidarity is all the more appreciated since it is not tied to reciprocal political actions.
- 70% to 100% of the Nine's raw materials — and especially minerals — come from outside suppliers. Here also, joint action can provide new possibilities. Waste recycling, for example, which helps save raw materials, requires a research and development effort which is partly met at the Community's expense. The Community also supports mineral prospecting in member countries as well as associate countries in Africa, the Caribbean and the Pacific.

Redeploying industry

In a climate of general economic instability, Europe's industrial organization has not always been sufficiently adaptable in the face of competition from newly-industrialized countries.

Surplus production capacity is a heavy burden in sectors such as steel, textiles and shipbuilding. Other sectors, by contrast, are underdeveloped: those producing sophisticated capital equipment such as machine tools, or those involved in new technologies such as data processing. In the opinion of the European Commission,

new jobs could also be created in public services, and by the implementation of a European infrastructure programme of public works.

To ensure viable jobs, European action is needed:

- in crisis industries. Reorganization which does not take into account the interests of neighbouring countries, runs the risk either of having no effect or of exporting the unemployment to other Community partners. Counter measures would be taken and with protectionism rampant, more jobs would disappear than were saved. In actual fact, European industries already sell half of their products in one single market. Together, the sacrifices could be shared out and modernization programmes introduced which take account of the social problems and the possibilities for the European and world market.
- the development of new technologies and new industries requires a great research and investment effort. Community coordination of research enables resources to be concentrated on priority objectives and also avoids a duplication of effort. As for investment, the vast market of 260 million European consumers is often indispensable for profitability.
- joint action would give the Nine greater weight in their relations with the rest of the world: either to persuade certain countries to discipline their exports whilst European industry is being reorganized, or to develop trade in the mutual interest and thereby ensure that European industry has the raw materials and markets it needs.

Liberalizing trade and developing the Third World

On average, the Nine's foreign trade represents a quarter of their gross domestic product. We buy our raw materials outside and pay for them by exporting finished products. All encroachments by protectionism will be harmful for us.

Furthermore, to ensure we have new markets in the future it is in our interest to encourage the development of the Third World which already absorbs 38% of Europe's exports. The objective is to create more jobs in the Community capital goods and new technology sectors than are lost in the textile and steel industries. Certain obstacles have to be removed however. The Nine are individually rather weak in relation to the major powers; some of our countries have had few links with developing countries, whilst the colonial past of others has left certain suspicions behind. Here again, Community action is needed.

- To encourage the liberalization of world trade, the Community has formed free-trade areas with its West-European neighbours. During the 'Tokyo Round' negotiations concluded in 1979, it was able to obtain a balanced reduction of customs tariffs from various non-Community partners, as well as the abolition of certain privileges accorded to the United States at a time when our countries negotiated individually.

- To encourage the development of the Third World, the Community has accorded customs preferences to developing countries for their exports of finished and semi-finished products, as well as considerable financial and technical aid. Co-operation agreements have been concluded with countries in Latin America and the Indian sub-continent, as well as with Mediterranean and, most recently, South-East Asian countries. And above all, the Lomé Convention, concluded with some 60 African, Caribbean and Pacific countries, is a unique example in the world of a development contract which excludes all discrimination or manipulation.

Fighting inequality and improving the quality of life

Whilst achieving a high level of economic development, our society still faces a number of unresolved problems which require a great deal of innovative thinking. The slowdown in economic growth is also forcing us to rethink the notion of social progress in more qualitative and more selective terms. How should we reduce social and regional disparities? How can we improve the quality of life at work, raise consumption, and improve the urban and natural environment?

Europe is in no way uniform. For a long time yet, the priorities in this field will be a national responsibility. There is, however, scope for joint action by the Nine:

- The Community means solidarity. Excessive regional of social inequality hinders the convergence of our economies. The Community tries to stimulate the modernization of infrastructure, industrial investment and vocational training in the problem regions. It has also accorded particular attention in its social and educational policies to those categories most affected: young people entering work, women, immigrants, handicapped, etc., not only to finance supplementary programmes to help them, but also to facilitate the spread of progress by pooling the latest knowledge.
- The territory of the Nine is heavily populated and relatively small. The social and environmental problems are often the same for all. Air and water are not constrained by national frontiers; since the creation of the Common Market the same has become increasingly true for products and industries. By looking for ways to improve and harmonize working conditions, by proposing to develop European model systems for worker participation in industry, by defining common health and safety standards of widely consumed products, by promoting cleaner coastal waters and international rivers, the Community is involved in improving the quality of life of all and providing equal conditions for economic competition.



The challenges Europe faces are many and serious. Working together, Europeans can hope to get better results. This should be the aim of European Community action as we move into the Eighties ■

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- 3/79. The Community's industrial policy
- 4/79. The European Community and the environment
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