# The 30 May mandate and the relaunching of the European Community

European File

By virtue of their membership of the Community, ten European countries are equipped with a common tool which can help them fight more effectively against today's economic crisis and play a stronger role on the world stage. But this tool is not always used to its full potential. When it was asked by the European Council on 30 May 1980 to examine Community policies, their financing and the budgetary problems they pose to certain member countries, the European Commission did not confine its mandate to a mere accounting exercise. Since any purely budgetary calculation has profound repercussions on the Community, the Commission chose instead to map out the major pathways towards a common relaunching of the European ideal.

☐ A relaunching that is possible even if there is little political will to confirm the pact made by the European countries when they signed the Community Treaties. The Commission feels that the institutional checks and balances built into the Treaties should be maintained and that no artificial ceiling should be put on the Community budget and its present resources without careful consideration of the Community's aims.

☐ A relaunching that is necessary because the Community can provide a solution to current difficulties and set an example to the rest of the world. In the present serious economic climate, the strength and potential of the Community can be used to ease constraints imposed from outside. The very size of the Community allows it to face up better to the difficult energy situition and increasing international competition, inflation and unemployment. This size should be matched by a feeling of solidarity

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and a common strategy and policies aimed at reinforcing internal cohesion, finding Community solutions and forging a more vigorous common stance towards the rest of the world. The strengthening of the Community is not therefore an end in itself; on the contrary the Commission feels that a better exploitation of the existing level of integration and the implementation of new means of Community action offer the Member States the best method of coping with the difficulties that they face. Such a strengthening would also help meet certain changes, such as future enlargement to include Portugal and Spain.

Charged with examining the adaptation of Community policies to the challenges of the 1980s, taking account of the delicate balance between the Community institutions, the European Commission recommends solidarity and a coherent strategy combining national and Community action. To launch this strategy, the Commission proposes a common 'housekeeping' exercise to ensure better use of existing Community policies. These are the two themes of the Commission report on the mandate of 30 May published on 24 June 1981.

## A new dynamism

The aim of the European Community is to constantly improve the living and working conditions of its citizens. Founded on economic solidarity and integration, it developed around two pillars:

- ☐ a single internal market governed by jointly-defined competition rules and a common customs tariff on third country imports. Its aims are to ensure free circulation of goods and allow Community industry, consumers and workers to reap the benefits of an extensive market.

- ☐ the setting up of a common agricultural policy with the objective of allowing free movement of farm produce, thereby guaranteeing food supplies and raising the living standards of European farmers.

These measures must be complemented by the creation of a European monetary system, by the extension of free movement of people, services and capital, by a common commercial policy and by a cooperation and development policy that enables the Community to fulfil its appropriate role in the world and finally by additional policies, especially regional and social. Progress in these various areas has not been achieved everywhere at the same rate and this explains in part the current difficulties facing the Community.

These delays must now be made up, partly to ensure that the interests of all Member States are equally taken into account, but also because it would be illusory to pursue industrial and agricultural aims without progress towards economic and monetary union, to seek genuine freedom of movement for workers in the absence of an employment policy capable of finding a Community solution to the jobless crisis, to try to play a fuller role in the world without finding an answer to the difficulties facing certain European industries and regions.

The European Commission wants Member States to define a Community strategy offering new prospects for healthy and lasting growth and improved job opportunities.

- ☐ *Economic and monetary:* the Member States are committed to improving the coordination of their economic policies and have established the European Monetary System. The Commission wants to expand this system, particularly by the full participation of Greece and the United Kingdom, by strengthening the role of the ECU (European currency unit, based on a basket of national currencies) by a closer economic and monetary coordination and by a common stand towards the rest of the world. The aims of such a policy are to increase the effectiveness of national policies, consolidate monetary stability and better defend Europe's interests *vis-à-vis* its trading partners.

- ☐ *Internal market:* the Commission wants to complete the customs union by suppressing the technical, legal and other barriers preventing the common market from becoming a single market, like those in each Member State. Objectives are to offer a better economic environment for businesses, give them a continental-sized market within which they can invest in conditions similar to those enjoyed by their American and Japanese rivals and to stimulate investment, productivity and development of the most modern and dynamic industries.

- ☐ *Energy:* the upsets caused by the energy crisis call for a speeding up of research and innovation. The Community dimension allows the necessary resources to be collected, encourages energy saving and domestic production, new energy sources and infrastructures. A better coordination of national efforts and a higher level of Community participation could help finance these actions. The aim should be to alleviate Member States' trade deficits and promote economic growth and employment, in which energy production can play an important role. The Commission considers that Community solidarity also implies strengthening the mechanisms designed to overcome possible supply shortfalls, a coherent pricing policy and a common stance *vis-à-vis* the other major consumer countries, the oil producers and the Third World, where Europe must support the development of indigenous energy resources.

- ☐ *Research and technology:* the competitiveness of the Community Member States is threatened by delays in industrial research and development. The Commission feels that often the most effective response to this problem is to be found at Community level. European research programmes need to be developed around multinational research teams in priority sectors: energy, agri-food, environmental protection, nuclear safety and the biotechnologies. At the next stage, industrial application, a common approach to standards, public orders, information and training should help firms, particularly the small and medium-sized businesses, to offer new goods and services faster, to take full advantage of the European market and to adapt more readily to changing conditions of international competition. The objectives are to preserve the competitiveness of European industry and also the economic, political and cultural autonomy of the Community and its capacity to develop an original model for society.

- □ *Competition:* the Community's founding Treaties give the Commission the power to safeguard free competition between companies. But this in itself is not sufficient. A new effort at harmonization and coordination is needed, whether it concerns transport subsidies, differential energy pricing, tax measures or other State aids to firms. The objectives here are to ensure that competition between firms and Member States is not abused, to encourage a rationalization of productive capacity and to strengthen coordination and convergence of economic policies in the Community.

## Restoring order

The programme outlined above cannot be fully or fairly achieved unless the Community restores order to its budget. The current situation is characterized by the large amount of money spent on the common agricultural policy (69% of planned payments under the 1981 budget) and by the resulting low level of spending on regional and social policies. In an atmosphere of budgetary restraint, Community financial solidarity must be reinforced and shared more equally amongst all.

### Agriculture

On balance the effect of the CAP has been positive. Its cost, estimated at around 0.5% of Community gross domestic product, is less than ten separate national policies would cost and is comparable to that paid by the Community's major rivals. It has allowed Europe a sure food supply, satisfied the needs of consumers and brought about an increase in agricultural productivity and incomes. The Commission therefore recommends keeping the main principles of the policy — unity of the market, Community preference *vis-à-vis* third country imports and financial solidarity — intact. But the mechanisms by which the policy operates must be adapted now that the Community has become self-sufficient in most major foodstuffs. In this context, it is neither economically healthy nor financially viable to give producers a guaranteed price for unlimited production. To prevent increased productivity turning into burdensome surpluses, guaranteed prices must take account of market realities as well as farm incomes. The Commission's general approach is as follows:

- □ prices policy must aim at the progressive alignment of Community prices with those of its major competitors. Linked to increased competitiveness must be a prices hierarchy ensuring a better production balance. The corollary of these measures is a more active export policy, based on cooperation agreements and long-term contracts, and allowing sometimes erratic world market prices to be stabilized at a more remunerative level.

- □ guaranteed prices should be modulated in line with Community production targets for each product, fixed on the basis of potential outlets on the European and world markets and on the volume of imports allowed, bearing in mind the need to balance the Community market and fulfil the Community's international trading commitments. The methods of intervention used to ensure a tight rein on production would vary from product to product. Other mechanisms would be added similar to that already in operation in the sugar sector: a reduction in intervention price above a certain threshold of production in the relatively high-performance sectors such as cereals and an extension of the producer co-responsibility levy partially used in the dairy sector.

☐ the economic and social problems facing certain agricultural sectors and regions must be solved by special measures. In certain specific cases direct income aids could be granted to small producers. Existing Community measures to help farmers in mountainous or outlying regions must be supplemented by other actions, particularly in the Mediterranean regions whose economies depend largely on agriculture. These regions will face increased internal competition as a result of the accession of Greece in 1981 and the eventual entry of Portugal and Spain. For reasons of equality alone, the CAP must be applied without discrimination to Mediterranean products. But it is already clear that the improvements that traditional CAP measures can bring to the regions will not be sufficient to resolve all the problems caused by out-of-date agriculture and the economic structures of these regions. Special medium-term Community programmes must be implemented in these regions. Combining action on income, markets, production and infrastructure, they would make use of all Community financial instruments and therefore help revitalize local agriculture and boost development of industry, energy and so on. These programmes which would be worked out jointly by the Commission and the Member States, would link national and regional objectives and enable them to be effectively realized.

The Commission feels that the implementation of new measures would lead to a slowdown in the growth of Community farm spending. Extra resources could therefore be freed to strengthen Community solidarity in other areas, particularly in regional and social policy.

Regional and social expenditure

The Community must be able to offer a more substantial contribution to the solution of regional and social problems than the current 7 000 million ECU per year,[1] made up of 4 000 million in loans raised on the capital markets and 3 000 million from the Community budget. The continuing economic crisis, the increase in unemployment, growing regional disparities and the prospect of further enlargement to bring poorer countries into the Community, make it more vital than ever to increase available resources — they should be higher than the rest of the Community budget — and ensure the best possible use of them:

☐ in regional policy, European Regional Development Fund spending would have a more decisive impact if it were concentrated in the poorest regions and those hardest hit by industrial decline. Support for integrated regional development programmes, combining national and Community efforts, must replace support for individual projects. The proportion of the Fund's resources which is not divided into national

[1] 1 ECU (European currency unit) = about £0.60 or Ir. £0.68 (at exchange rates current on 18 September 1981).

quotas must be expanded. To prevent unfair competition and to encourage convergence of Member States' economies, national measures aimed at correcting regional imbalances, which exist even in the most prosperous member countries, must be included in a Community framework.

- ☐ in the social field too, the Commission wants to encourage coordination between national and Community measures. European Social Fund spending should be pitched at a level and in sectors where Community action is more useful and more effective than the juxtaposition of various national measures supported by one or other Community subsidy. A more flexible fund, freed from administrative entanglements could better adapt its spending to new economic and social conditions, in closer coordination with other forms of Community action. The resources available to the Fund should be concentrated in priority areas: the setting up of information, guidance and training schemes, especially for young people and, above all, job creation. Special attention must be paid to workers in regions in decline and to retraining the workforce in new technologies. Here too, support for individual projects must be replaced by the launching of integrated training and job-creation programmes adapted to local economic conditions.

- ☐ finally, the Community must use its borrowing capacities to devote larger resources to loans which complement Regional and Social Fund spending and which stimulate particularly the development of small and medium-sized businesses and a general modernization of poorer regions.

## The British problem

The advantages that each member country gains from Community membership cannot be solely computed in budgetary terms: the introduction of a common industrial market, respect for European competition laws and the international role of the Community cannot be translated into budget credits. That said, it is clear that the recovery envisaged by the Commission would allow a better balance in the allocation of financial resources. While waiting for the recovery to take hold, Community solidarity, meaning the desire to increase confidence between the member countries and thus enable new progress to be made, dictates that a solution be found to a problem that the Commission feels only really affects one country, the United Kingdom.

Although it accounts for about 17% of the Community's GDP, the United Kingdom receives only a very small share of agricultural guarantee spending. This is because of the particular characteristics of British farming, which only represents around 10% of all Community production benefiting from guaranteed prices. Temporary arrangements (financial compensation, subsidies for various infrastructure development programmes in the United Kingdom) have been agreed until 1982. Beyond that, the Commission proposes a medium-term solution designed to make up a large part of the difference between what the United Kingdom receives in agricultural guarantee spending and what it should get according to its share of Community GDP. The necessary financial resources to bridge this gap will have to be found either by increasing the overall size of the budget or by reducing the amount that other countries receive from it in agricultural guarantees. In the latter case, the interests of the poorer countries, Ireland, Greece, Italy and soon Portugal and Spain will have to be borne in mind. The funds made available to the United Kingdom will be used to finance measures in line with Community policies and to encourage economic convergence.

△

The above outline does not cover all Community activities, amongst which international relations figure large. Because of its geography and history, and also because of its economic power and needs, the Community is open to the world. It must know how best to safeguard its interests and make the contribution that its partners, especially those in the developing countries, expect of it for the sake of international peace and prosperity. However, progress on the international front is closely tied to internal development of European unity.

The Commission report lays down a coherent set of measures designed to be implemented within a relatively short period of time, and which will lead to an overall relaunching of Community action. It is now up to the other Community institutions to look at these problems and solve them. The Commission is currently preparing a number of operational proposals which will firm up these guidelines for a new stage in European unity ■

The contents of this publication do not necessarily reflect the official views of the institutions of the Community.


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