TRADE UNION NEWS

from the European Community

No 15 Autumn 1974

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Contents

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TRADE UNIONS ECONOMIC PROBLEMS AND THE COMMUNITY

This issue of Trade Union News is largely concerned with economic matters. The relevance to trade union interests of the discussions and decisions taken on these matters within the Community is obvious. The European Trade Union Confederation, to which the British TUC is affiliated, has chosen energy (the theme of the previous issue of Trade Union News) and inflation as the two issues of the most immediate concern to European trade unions to the present situation in Europe. Furthermore, it is not simply inflation itself which is concerning the trade unions in Europe, but the implications for employment and earnings prospects of inflation and the associated deterioration of trade balances. This situation is particularly acute in the United Kingdom and in Italy.

While it cannot be argued that UK membership of the European Community offers a miracle cure for its problems of inflation, unemployment, and trade imbalance, the various measures proposed at Community level, for instance, Community loans, and the willingness of the Community to act in concert to deal with economic and trade problems at least offers some prospect of an easier external environment within which appropriate UK national economic policies can be pursued. Community solidarity is not a mere rhetorical phrase.

The increasing economic integration and interdependence between the UK and other European countries, particularly those inside the Community, is evident. The United Kingdom has and will continue to benefit from the trading relationships within the Community, and from Community policies. The Commission has recently made further proposals on the regional development fund and it hoped that at an early stage these can be agreed by the Council of Ministers. The next issue of Trade Union News will contain information on the new proposals and the current situation in respect of the regional fund.

Michael Lloyd (Ed.)

THE ECONOMIC SITUATION IN THE COMMUNITY IN 1974

The economic situation in the world is not particularly encouraging. The Commission, in its 1974 Annual Report on the Economic Situation in the Community discusses which policies might be pursued throughout the Community to cope with the situation. Inflation is still the major economic problem in the Community and greater coordination of the Member States' economic policies is clearly desirable in this area.

However the need for Community solidarity to withstand a recession is the main point stressed by the Commission in its report. The report, which the Commission has recently sent to the Council, outlines the current situation and outlook and suggests general guidelines for economic policy in the Community as a whole and in the individual Member States.

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1. ECONOMIC BACKGROUND

World situation

There has been a downswing in world economic growth which began before the oil crisis. Primarily it was caused by difficulties in supply of various raw materials. The effects in industrialised countries outside the Community have been uneven. The GNP of the USA has fallen in real terms in 1974. In Japan the GDP fell, but is now rallying. In Canada and Sweden growth has even slightly accelerated.

The impact of the oil price rises has been threefold:

* World inflation has been boosted;
* Oil consuming countries are facing balance of payments difficulties;
* Oil producing countries have increased their revenue by $60,000m., most of this is not yet being recycled.

Community situation

1. Economic activity in the Community in 1974 continues at a relatively high level. *Real GNP* in the EEC should increase this year by about 2½% (5.6% in 1973), but there are growing balance of payment difficulties. Exports to the rest of the world have slowed down in volume terms, but trade within the Community was stimulated by the second 20% cuts in customs tariffs between the old and new members of the Community. Germany's trade balance — already in surplus — is improving, but in Italy, and to a lesser extent in France, Denmark and the UK, imports are growing more rapidly than exports.

2. *Overall domestic demand*, in volume terms, is tending to fall. A reluctance to invest has been apparent, although capital expenditure by industry is stronger than in 1973. Investment funds are being used to undertake measures to raise productivity levels and hence check rising production costs. Uncertain world prices, credit restrictions and rising interest rates have all led to caution in stock and raw material management. The growth of expenditure, public and private, on construction has slowed down distinctly in most countries.

3. Although incomes have kept pace with rising prices, the stimulus to the economy by *private consumption* is slight. In the UK private consumption could even fall slightly, in 1974.

4. *Industrial production* in the Community as a whole has tended to stabilise since the spring, after a vigorous recovery in the early months of 1974. Some industries — iron and steel, chemicals and electrical engineering — are still growing rapidly; others — building, motor vehicles and textiles — are slowing down. In France and Italy production continues to increase considerably, in Germany there has been a general stagnation since the spring.

Unemployment in the Community has been on an upward trend since the beginning of 1974. The situation began to worsen in June and July and has continued to do so since then. In Germany and Denmark, which previously had two levels of unemployment, the increase has followed an abrupt curb upwards. By the end of September 1974 the following situations were apparent:

Germany — unemployment at 500,000 was over double the level of 1973 and the August figure showed a continuing deterioration.

Italy, UK and Ireland — the situation was no worse than in 1973, but these countries had been recovering from very high cyclical unemployment in 1972 and had been expected to improve greatly by autumn 1972.

France, Denmark, and Benelux — the level of unemployment was significantly higher than a year before. 3.8% compared to 3.4% in Belgium, and 3.1% compared to 2.6% in the Netherlands, for example.

Table 1

PRODUCTION AND EMPLOYMENT

(% annual growth rates)

	Gross domestic product in real terms				Persons in paid employment			
	1966-1971	1972	1973	1974 (1)	1966-1971	1972	1973	1974 (1)
Denmark	4.6	5.1	3.8	2.0	1.4	2.0	0.4	-1.4
Germany	4.4	3.0	5.3	1.9	0.5	-0.3	0.7	-1.2
France	5.8	5.5	6.0	5.2	1.7	1.5	2.4	1.7
Ireland	4.4	3.2	6.0	3.5	0.8	-0.9		
Italy	5.2	3.2	5.9	5.0	1.2	0.1	1.9	2.0
Netherlands	5.6	4.3	4.7	3.3	1.3	-0.7	0.1	-0.1
Belgium	4.7	5.2	5.7	4.0	1.2	0.5	1.1	0.7
Luxembourg	3.3	4.6	7.4	4.5	1.7	3.7	2.9	1.9
United Kingdom	2.2	2.3	5.6	-0.9	-0.8	-0.7	1.3	-1.1
Community 9	4.4	3.7	5.6	2.7	1.0	0.1	1.4	0.0

Source: SOEC

(1) Estimates by the Commission's department.

Table 2

THE LABOUR MARKET IN THE EUROPEAN COMMUNITY

	Month of reference 1973-74	Unemployment			
		Previous year	Year of reference	Annual change	%
Germany	August	221.905 (1.0%)	527,051 (2.3%)	+ 305,146	+ 137.5
Belgium	August	85,285 (3.4%)	96,645 (3.8%)	+ 11,360	+ 13.3
Denmark	July	12,300 (1.5%)	29,500 (3.5%)	+ 17,200	+ 139.8
France	July	345,600 (2.1%)	398,100 (2.4%)	+ 52,500	+ 15.2
Italy (1)	April	1,022,200 (5.3%)	985,900 (5.1%)	- 36,300	- 3.6
Ireland	August	62,658 (5.6%)	68,412 (6.8%)	+ 5,754	+ 9.2
Luxembourg	July	35 (0.0%)	43 (0.0%)		
Netherlands	August	96,143 (2.5%)	126,338 (3.1%)	+ 30,195	+ 31.4
Great Britain	August	570,741	656,367	+ 85,626	+ 15.0

(1) No recent figures are available

(The table was published by the Commission September 26)

(*European Report*)

5. *Prices* — Factors causing inflation have been: rising world prices; rising labour costs; depreciating currencies; lower productivity rates; inelastic supplies, and the self-perpetuating nature of inflation itself. Consumer prices on a *year-to-year* basis have increased:

* 15-20% in Ireland, Denmark, Italy, UK;
* 10-15% in France, Belgium, Luxembourg;
* 5-10% in Netherlands, Germany.

Table 3

CONSUMER PRICES
(% annual growth rates)

	1966-1971 (1)	1972	1973	1974 (2)
Denmark	6.3	6.6	9.3	14.2
Germany	2.9	5.5	6.9	7.3
France	4.5	6.2	7.3	12.5
Ireland	5.9	8.6	11.4	14.8
Italy	3.3	5.7	10.8	15.4
Netherlands	5.4	7.8	8.0	8.8
Belgium	3.6	5.5	7.0	10.0
Luxembourg	3.3	5.2	6.1	8.3
United Kingdom	5.4	7.1	9.2	14.4

Source: SOEC

(1) Average for the period
(2) January — June

6. *Trade* — balance of trade has been affected by higher oil prices, differences in inflation rates and changes in the relative exchange rates. Despite Germany's record surplus the Community is in deficit with the rest of the world and balances in Denmark, France, UK and Italy have worsened considerably. The total deficit in balance of payments in the current account of the Nine with non-Member States could amount to $20,000 m. in 1974 (1973 + $1,000 m.).

Table 4

TRADE BALANCES
(Levels, in national currencies; '000 million units)

	1966-1971 (1)	1972	1973	1974 (2)
Denmark	-5.8	-5.0	-9.4	-8.3
Germany	+15.1	+20.3	+33.0	+29.7 (3)
France	-6.4	-4.5	-6.2	-16.5 (4)
Ireland	-0.17	-0.19	-0.27	-0.29
Italy		-420	-3267	-3941
Netherlands	-4.2	-1.4	-1.8	-1.3 (5)
Belgium) Luxembourg)	+1.1	+29.2	+17.6	-14.2 (5)
United Kingdom	-0.99	-1.39	-3.42	-3.58

Source: National statistics

(1) Average for period
(2) January — June, unless stated otherwise
(3) January — July
(4) January — May
(5) January — April

7. *Gold and foreign exchange reserves* have stabilised through the Community (except Italy and Denmark) after falling considerably at the end of last year.

8. There have been marked changes in *exchange rates.* The German Mark appreciated between January and May 1974 but has since fallen, and other currencies still in the 'snake' have followed a similar trend. After the French Franc left the joint float in January it lost about 6% on currencies in the 'snake' by July. The Lira, after falling in the first half has stabilised, and the £ sterling has held its value throughout this year.

Economic policies in the Community

Accelerating inflation has led most Member States to adopt increasingly restrictive monetary policies, resulting in falling liquidity and high interest rates. Trends have not been uniform and since the spring restrictions have been eased in UK, Ireland, Germany and Denmark, and tightened in France, Belgium and Italy.

The rate of increase in the money supply has slowed down in most member countries. Some interest rates have reached record levels, and in some cases short-term rates have become higher than long-term. Real investment must now be largely financed by short-term borrowing as savers are reluctant to invest in long-term assets. In most countries the interest on savings is lower than the rate of monetary depreciation. Budgets have increased greatly, largely as a result of inflation. Denmark and France will have large surpluses as tax has been used to restrict demand.

2. ECONOMIC OUTLOOK

World

In 1975 economic activity in the US and Japan should recover slightly, elsewhere the trend towards modest growth will continue. Imports from these countries are therefore not likely to increase much in 1975.

In the short run oil-producing countries are unlikely to spend a significant part of their revenue. From 1975, however, their purchasing might expand rapidly. Non oil-producing developing countries, on the other hand, will have difficulty in maintaining their present trade. Overall, the expansion in volume of world trade in 1975 will only show a slight acceleration relative to 1974.

Community

Providing that appropriate economic policies are pursued throughout the Community, the conditions for growth in Member States' economies should improve. World economic trends point to hardly any acceleration in exports to third countries, although Italy and the UK should benefit from the depreciation of their currencies in recent years.

Domestic demand should become more lively if prices stabilise, encouraging real growth. Capital investment is likely to recover, particularly in Germany and the Netherlands. Community Real Gross Domestic Product should therefore increase by 3½% 1974/5, against 2½% 1973/4. France will be slightly above this level, Italy and the UK below. Unemployment should be stable, with structural difficulties remaining in Ireland, Italy, UK and the Netherlands. While prices should stabilise somewhat, inflation will continue at a disturbing rate. This inflation will be uneven — well over 10% in Ireland, Italy, Denmark and the UK and comparatively low in Germany and Luxembourg.

3. GENERAL GUIDELINES FOR COMMUNITY ECONOMIC POLICY

The fight against inflation must again be considered a priority. This must be mastered if disruption of economic and social life is to be avoided and balance of payments positions are to be improved. There must be close coordination at Community level in drawing up policies and there must be active solidarity from Member States, so as not to worsen the employment situation.

All Member States must keep overall demand within the limits of productive capacity. Such restraint should be managed so as not to affect already depressed industries, such as cars, textiles and building. Curbs on domestic demand and consumers' expenditure are particularly necessary in countries whose resources must be channeled into exports to reduce the external deficit. Those countries with large surpluses should see that domestic demand develops in such a way that cost increases are held back by productivity increases.

A. *Monetary policy* should seek to prevent an increase in inflation. This means limiting the increase in the money supply in countries with balance of payments difficulties. The policy of restricting liquidity should be directed particularly at limiting money to finance consumption or for speculative transactions. Monetary policy should also ensure the compatibility of interest rates in the EEC, which should be higher in countries in deficit, in order to attract more outside finance.

B. *Budgetary policy* should avoid stimulating domestic demand, except in Germany where moderate expansion should reduce the external surplus. Other countries should follow a more restrictive line.

C. *Expenditure* in volume terms should only increase minimally in most countries. Restraint in central government budgets should be supported by parallel efforts on the part of other authorities.

D. *Loans* — Most Community countries will have to obtain substantial loans to cover their external deficit. This would be most effectively done by a Community loan. The Community could jointly establish the machinery toattract long-term loans, particularly from the oil-producing countries. In addition, the central banks should cooperate more closely to supervise the Euromarket, particularly in view of the recent uncertainty of some credit institutions.

E. *Stable exchange rates* will greatly ease the fight against inflation. Private saving should be encouraged, particular incentives being given to the less well off.

F. In countries suffering from *balance of payments* difficulties, average living standards are unlikely to rise. The burdens should be evenly shared and special protection should be given to the less well off. The worst-hit countries should be able to rely on the solidarity of their partners.

F. *Inflation* is causing serious problems in business and both sides of industry should cooperate to restrain inflationary tendencies. The level of *employment* is seriously jeopardised by persistent inflation and absolute priority should be given to maintaining or increasing unemployment benefits.

H. *Unemployment.* The solution to the problem of structural employment, which exists in certain sectors and regions should be sought through specific actions concerning the work force in general and not by global stimulatory measures which would inevitably be a further impetus to inflationary trends. Facilities for retraining workers should be improved. Patrick Hillery, the Itish Commissioner, has said that "the Commission does not intend to propose new curative measures to deal with the current situation, as the prospects of a recovery in employment over the next 6-12 months are not good and many commentators expect to see a worsening of employment".

He reiterated the recommendations made in July to stave off excessive layoffs:

1. Member States must not "export" unemployment by restrictive trade policies;
2. Member States which can sustain expansion, despite present difficulties, should do so; and
3. Member States should provide support for partners in balance of payments difficulties.

Hillery added that "in view of the longer-term risks to employment that could result from continuing high rates of inflation, it is felt that no general measures should be taken which might give fatal new impulses to the inflationary tendencies".

I. Member States should pursue active *price policies* based on effective competition. If this is not done falling world raw material prices may lead to inflationary profits. Demand must not be allowed to exert too much pressure in these circumstances. Markets must again become buyers' markets in which firms seek to expand their volume of trade rather than their profit margins.

In conclusion — cooperation must be reinforced between Member States, especially as none of them is in a position to withstand a long recession.

4. GUIDELINES FOR THE UK

Real GDP will grow more slowly than production capacity. While prices and costs should steady somewhat, they may still rise very rapidly. Improving terms of trade and an easing in domestic demand should cut the balance of payments deficit in 1975, although it will still be large.

Economic and budgetary policy must continue to limit the growth of domestic demand and consumers' expenditure and to achieve a substantial and lasting reduction in the current payments deficit by curbing imports and transferring available resources into exports. Efforts will have to be made to contain the net public authority borrowing requirement in 1975/76. Hence current Government expenditures may have to be below the increase currently forecast for GDP in money terms. Transfers to public corporations in 1975 may have to be limited to achieve this.

As real wages are unlikely to rise, the cooperation of both sides of industry should be obtained to limit prices and income rises. Inflation will have to be curbed if the level of employment, in the longer term, is to be preserved.

There will probably have to be a stricter policy covering both money supply and interest rate levels. Interest rates will have to remain high to maintain confidence in the £ sterling and to attract foreign loans to finance the deficit, but support measures in the housing sector might be advisable, to avoid the effect of high interest rates on mortgage finance.

EEC LOANS WILL EASE BALANCE OF PAYMENTS PROBLEMS

On October 21 the Council of Ministers agreed to raise loans on the international capital market — which essentially means from the funds owned by the oil-producing countries — to assist Member States in balance of payments difficulties. This is a significant example of Community solidarity helping individual Member States. There is no provision in the Treaty of Rome for a loan of this kind; therefore the Council of Ministers acting unanimously, has increased the Community's power of action in this sphere. Countries with balance of payments problems could not expect to raise loans of this kind unilaterally.

The initial ceiling of a Community loan will be $3,000 million (principal + interest) with a minimum maturity of 5 years. The loan will tend to stabilise short-term capital movements which have been fluctuating due to the increase in oil price, and will, thereby, benefit the whole international community. The British Chancellor of the Exchequer, Denis Healey, thought more extensive loans could be raised in the future. Each Member State of the Community will be a partial guarantor of the loan, although no one country will be liable for more than twice its percentage contribution to the Community budget. This means that West Germany will be the major guarantor with a maximum liability of 44% of the loan.

The agreement is also important as the first attempt to put back into the world financial system the money which has been accumulated by the oil producers. The incomes of these countries have been boosted by some $60,000 million and only a small part is currently being recycled.

A Member State borrowing from the Community will be expected to adopt measures to redress its balance of payments difficulties. What distinguishes the Community loan from, for example, IMF loans is the method of deciding what these measures are to be. IMF loans have conditions attached which, while discussed with the government concerned, are virtually imposed by the IMF itself. This is very different from the Community loan where the conditions will be decided by the Council acting unanimously on a proposal by the Commission, so the Member State borrowing from the Fund will have an effective say in the economic policy requirements it accepts.

The Council agreed the detailed rules governing the administration of the loan at a meeting of Finance Ministers, on November 18, 1974. The Council had already consulted the Monetary Committee of the EEC on the details involved in the administration of the loan.

BRITAIN'S TRADE AND THE EUROPEAN COMMUNITIES

Contrary to what is sometimes stated, British membership of the European Community is *not* the reason why the UK trade balance with other Community countries has worsened. Instead, the expected expansion of trade within the Community has taken place, and Britain's balance of trade with her Community partners is better than with any other trading area, and better than before entry.

These conclusions arise from the Commission's detailed answer to a question on the subject of trade asked by Lord O'Hagan in the European Parliament.

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Pitfalls

Before examining the Commission's answer to Lord O'Hagan it may be useful to recapitulate what was expected by supporters of entry during the early years of UK membership, and to indicate some sources of confusion and error in analyses of the statistics.

First, no respectable economic commentator ever suggested *substantial* and *sudden* benefits to the UK balance of trade during the first few years of membership. The process was seen as gradual, the benefits in terms of increased net exports accruing slowly (and no automatically), year by year. Second, it is difficult to measure precisely the effects of removing tariff and non-tariff barriers to trade. Obviously, it is necessary — but extremely complicated — *to subtract effects which have nothing to do with membership.* Third, one should not be mesmerised by fluctuations in the trade surplus or deficit figures. These are arrived at by comparing two very large quantities, i.e. total exports and total imports. A £100m deficit surplus represents less than 1 per cent of current UK total imports or exports. Fourth, comparisons should not be made between figures for the balance of trade between the UK and the Six, which are derived from the Overseas Trade Statistics (OTS), and aggregate trade figures derived from balance-of-payments statistics. This error has recently crept into public pronouncements on the issue. The OTS gives import figures which are quoted inclusive of the cost of insurance and freight whereas exports quoted are exclusive of such costs. In balance of payments statistics export and import figures are both given exclusive of cost of insurance and freight. This makes comparisons appear less favourable to the Community.

Table 1

UK TRADE (BEFORE AND AFTER ENTRY)

	Exports (fob)	Imports (fob)	Visible Trade Balance			Current Account Balance
			Oil	Non-Oil	Total	
1971	8 796	8 511	- 648	+ 933	+ 285	+ 1093
1972	9 134	9 811	- 658	- 19	- 677	+ 114
1973	11 435	13 810	- 944	- 1431	- 2375	- 1210
1974 (1st half year)	7 224	9 871	- 1638	- 1009	- 2647	- 2036

Source: UK Balance of Payments Statistics

Overall trend

In its answer to Lord O'Hagan the Commission has properly taken these points into account. As is demonstrated in Table 1, the substantial deterioration of the UK balance of payments in 1973 and 1974 continued a trend discernible before the UK joined the Community. Furthermore, the whole of the deterioration of the UK overall trade balance between 1972 and 1973, in value terms, which amounted to nearly £1400m, can be attributed to the 12 per cent deterioration in the UK's terms of trade which took place between the two years. The deterioration was due in turn to increases in world commodity prices, including oil, and to the depreciation of sterling. The latter depreciated by 8 per cent, against a trade-weighted average of competitor countries' currencies; the sterling parity changes being most marked against the European currencies (except the Lira).

Apart from the change in the terms of trade a further factor, which explains perhaps some £300m of the overall *visible* trade deficit — which was higher at £1700m than the current account deficit — was the exceptionally high rate of consumption-led economic growth in the UK over the period concerned. Between 1972 and 1973, the UK economy grew at 5.8 per cent in real terms; this led to a considerable increase in imports of consumer durables of which the EEC countries are a major source. In compensation, however, the expansion of internal demand between 1972 and 1973, plus the devaluation of sterling against European currencies, meant that the demand for the products of the principal exporting sectors in the UK which are purchased by the Community countries, e.g. capital goods, remained very high. Indeed, the growth of UK exports to the Six increased by 38 per cent in value terms compared with an increase of only 25 per cent in exports to the rest of the world. Hence the deficit was lower than it might otherwise have been.

Increasing interchange

This much faster rate of increase of both imports and exports between the UK and the Six is clear proof that, despite the fact that the process of dismantling trade barriers between the UK and other Community countries has only just started, the anticipated trade expansion between the UK and the Community is already occuring. Furthermore, notwithstanding the absolute increase in the trade deficit with the original Six — between 1972 and 1973 the visible trade deficit increased by £616m — in percentage terms the deficit decreased as a share of the UK total visible trade deficit, from 36 per cent in 1972 to 33 per cent in 1973, a reduction of nearly 10 per cent.

Manufactured goods are the UK's most important trade commodity group. For trade in manufacturers the UK deficit between 1972 and 1973 grew at a rate significantly slower than that with any other area except the developed sterling area, which accounts for only 5 per cent of UK trade. In contrast, UK trade with the Community amounts to 33 per cent and the proportion is increasing.

Table 2

CHANGES IN PERCENTAGE DEFICIT OF UK TRADE BALANCES WITH SELECTED AREAS

	Manufactures		
Areas	1972	1973	% Change
Non-EEC Western Europe	+61	+40.1	-20.9
Latin America	+69.5	+51.6	-17.9
Soviet Eastern Europe	0.3	- 10.6	-10.9
E.F.T.A.	- 2.1	- 9.5	- 7.4
Less Developed Sterling Area	+36.1	+29.4	- 6.7
Rest of the world	+35.5	+30	- 5.5
North America	+ 8.9	+ 3.6	- 5.3
EEC	+ 0.5	- 4.1	- 4.6
Developed Sterling Area	+10	+ 4.9	+ 3.9
TOTAL	+15.0	+ 8.9	- 6.1

Source: UK Overseas Trade Statistics

Cheaper food from Europe

It is also worth noting that the switch in the sources of certain imported foodstuffs from the United States and other countries to *lower-cost* Community supplies has considerably benefited the overall UK balance of trade. Conversely, of course, it worsens the relative UK-Community trade deficit position vis-a-vis other areas. In 1972 wheat imports from the USA accounted for 19 per cent of total wheat imports, while imports from the EEC countries accounted for 25 per cent. In 1973, the corresponding percentages were the USA 14 per cent, and EEC countries 40 per cent. In the case of maize, the percentage supplied by EEC countries went up from 22 per cent to 41 per cent replacing purchases from South Africa which fell from 22 per cent to 5 per cent. In value terms this was shown as an increase in the UK — Six trade deficit of £86m. In fact, the UK trade balance *benefited* to the extent of a £28m net saving on the cost of wheat and maize imports.

1974 Figures

The 1974 trade figures are naturally incomplete, and no final analysis of the 1974 overall trade position can yet be made. Nontheless the provisional figures for the first quarter of 1974 show a further deterioration on current account of £425m and on visible trade of £265m. However, there is no more reason than in 1973 to suppose that this further worsening of the UK current trading position in the first quarter of this year can be attributed to membership of the Community. Further rises in oil prices came through in early 1974 and fully account for the whole of the current account deficit, let alone the visible trade deficit. In addition, the three-day working week imposed in January and February cut production by more than domestic demand, and hence aggravated the trade deficit in volume terms. This is particularly true in respect to steel exports.

Between the first and second quarters of 1974 the current account deficit increased by £65m, and the overall visible trade deficit by only £75m. The visible trade deficit as in the first quarter, was more than accounted for by the oil deficit, which increased by £195m.

The increases in the oil deficit during the first two quarters of this year masked an improvement in the non-oil visible trade which improved significantly in both quarters. Almost all the improvement came from the volume of trade. This re-establishes a trend in volume discernible early in 1973, but which was interrupted in the latter part of 1973.

Table 3

Estimated Sources of Changes in UK Visible Trade
TOTAL UK TRADE

£m.	3rd qtr		4th qtr		1st qtr		2nd qtr
Deficit	-605		-1,020		-1,285		-1,360
Change							
of which:		-415		-265		- 75	
Oil		- 65		-420		-195	
Non Oil							
of which:		-350		+155		+120	
Volume		-155		-180		-130	
Price		-195		- 25		- 10	

Source: Bank of England Quarterly Bulletin

In relative terms, UK trade with the Six has continued to improve. During the first eight months of 1974, the trade deficit with the Six was roughly £1320 m out of a total deficit of £4522m. This means that, despite out-of-trend adverse figures for July and August, during the first two-thirds of 1974 the Six accounted for only 29 per cent of the *total* deficit compared to 33 per cent in 1973 and 36 per cent in 1972. Between 1972 and 1974, the Six's share in Britain's non-oil trade deficit also substantially fell. Furthermore, during that period the monthly average of exports to the Six increased by 35 per cent compared with only 30 per cent in total exports (It is not possible at present to analyse the figures for invisibles, but there was an improvement of £150m between 1973 and 1972, and the second quarter of 1974 showed an invisible surplus of £310m).

Future prospects

It is worthwhile to look beyond the 1973/74 trade balances and to consider the broader international trade picture and its future possibilities. Entry into the European Community opened up considerable opportunities for UK exporters. The other eight members of the Community comprise a market which in 1973 represented one-third of total world imports, and some £80,000 million pounds worth of orders. Five of the other eight member countries are among the six biggest customers of the UK, and Germany takes more UK exports than any other single country except the USA.

Since the Community customs union began in 1959 the value of intra-Community trade has increased eleven-fold, twice as fast as that of world trade as a whole. As the Community becomes a single trading unit over the next few years, British exports should be able substantially to increase their share of the other eight Member States' imports. Such an increase can be confidently expected on three grounds: (a) the experience of the Six original member countries, who have over the last fifteen years steadily increased their trade with each other, and hence reduced their relative dependence on imports from third countries; (b) the analysis given above for the first eighteen months of membership, and (c) the new patterns in UK external trade which are now emerging; (see Table 1).

This last point requires further analysis. Some commentators have suggested that trade with Commonwealth or ex-Commonwealth countries and/or with Soviet bloc countries can be an alternative to trade with the Community. The trends illustrated in Table 4 demonstrate the weakness of such arguments. For instance, between 1972 and 1973, the deficit in UK-Eastern Europe trade increased from £121 to £226m, an increase of nearly 100 per cent! Even if this were so, the very small size of such trade — between 1970 and 1973 imports fell from 3.9 per cent to 3.5 per cent and exports from 3.2 per cent to 2.6 per cent of total UK trade — would make it an impossible alternative to trade with the Community. It should be remembered that *half* Britain's exports now go to the Community or to countries associated with it.

Table 4

UNITED KINGDOM TRADE — RELATIVE SHARES BY AREA

$\frac{\text{Imports}}{\text{Exports}}$ (percentage of world total)

	1970	1971	1972	1973
EEC (eight)	27.0 / 29.2	29.7 / 29.0	31.6 / 30.1	32.8 / 32.4
Commonwealth	23.9 / 21.0	22.3 / 21.9	19.3 / 18.9	17.5 / 16.6
EFTA	12.6 / 13.2	13.0 / 12.6	14.5 / 13.8	15.0 / 14.0
USA	13.0 / 11.6	11.1 / 11.7	10.5 / 12.4	10.2 / 12.2
Soviet Eastern Europe	3.9 / 3.2	3.5 / 2.7	3.5 / 2.8	3.5 / 2.6

Source: Overseas Trade Statistics

In 1970 the Commonwealth accounted for around 22 per cent of UK trade and the EEC around 28 per cent. By 1973, moreover, Britain's trade with the EEC was double that with the Commonwealth, with a fall in the Commonwealth share to 17 per cent. The Community is the largest export market for UK goods and by far the most rapidly growing market. That of the EFTA countries, which are all linked with the Community, is also growing, but much less rapidly; and the market provided by EFTA is considerably less than half the size of the Community market.

Clearly, the enlargement of the Community provided an opportunity for exporters in the other Member States to expand their sales on the British market. For this reason, the net effect on the British current trade balance cannot be predicted with certainty. However, the performance of British exports to the rest of the Community over the past 18 months gives some cause for optimism. The two worrying factors are the slowdown in the world trading economy, though not in Community trade, and whether the necessary resources will be channelled into the major UK export sectors. In this connection, it should be noted that at least two associations, the Society of Motor Manufacturers and the British Textile Confederation have both produced optimistic statements about trade prospects within the Community for their industries. In the case of the motor industry a deficit of £50m on our trade in vehicles during 1972 was reduced to £15m in 1973.

UK TEXTILE INDUSTRY BENEFITS FROM COMMUNITY MEMBERSHIP — THE VIEW OF THE INDUSTRY

The current economic crisis is hitting the British textile industry as hard as it is most other parts of the economy. In hard times such as we are now experiencing, the industry sees its future as far more secure inside the Community than outside. Membership is seen by the industry as bringing the benefits such as:

1. a greatly enlarged home market encouraging specialization
2. a system of burden sharing of low cost imports from developing countries which at the same time protects jobs in the UK and gives the developing countries a larger export market
3. increased influence for the UK industry in both European and international textile policy making
4. aid from both the Social and Regional Funds and from other kinds of Community grants
5. cooperation in textile technology and Community support for certain joint Community projects in this field.

In early July 1974 Mr. Alan Clough, President of the British Textile Confederation, a pan industry organisation including both unions and employers, said that withdrawal from the Community could affect the jobs of nearly a million textile workers in Britain, or 13% of the country's labour force. Speaking at the annual meeting of the Warp Knitters Association, he said potential membership had "acted as a powerful spur to investment during the years preceding entry". There had been rationalization re equipment and modernization to take advantage of new opportunities in the Community. He added that withdrawal or even threat of withdrawal could only create doubt for industry and put jobs at risk. He also noted that the prospects of finding other markets to replace the EEC were negligible and mentioned the relief that the UK industry could find under a Community burden sharing arrangement to keep it from being swamped by low cost imports.

The industry is important in both UK and Community terms. In 1972 the textile and clothing industries accounted for 7% of the UK's net manufacturing output, 6% of total exports, and over 6% of investment. In 1970 the UK industry accounted for about 22% of turnover and 26% of those employed in the Nine's textile industries. In 1972 the UK industry accounted for 22% of the Nine's total textile exports to third countries and took 28% of the Nine's imports from third countries; however the UK industry only accounted for only 5.9% of the Nine's exports to such other and 6.5% of their imports from each other. Despite the adverse affect on wool exports to the Community, caused by the slump in Germany and high prices for raw wool, between the first and last quarters of 1973 UK textile exports to the Six increased by 43%, while imports from them increased by only 32%. Four out of the five largest textile firms in the Community are British. The NEDO Report on the Textile Industry to 1977 said that within the Community consumption per head of textile products, which is below US levels, is expected to increase. A faster growth in the Continent than in the UK is expected for the amount spent on clothing. Household textiles including carpets, and industrial textiles are also promising growth areas. The wool textile sector could gain up to £53m a year by 1977, if the UK stays in the Community.

Now that a burden sharing agreement has been accepted, membership in the Community will help reduce the amount of low cost imports entering the UK during the coming years. Under this agreement there will be no reduction in the present quotas for textiles and clothing imports from developing countries, but there will be a major effort to spread these increases more fairly among the Nine. Each state has been assigned a percentage increase based on its GNP, textile consumption and population, which is called its 'economic share'. The 'economic shares' are as follows:

Benelux	10.5	UK	23.5
France	18.5	W. Germany	28.5
Italy	15.		
Denmark	3.		
Ireland	1.		

National shares in any new textile quota agreements will be based on previous import or quota levels plus a variable growth factor, which will depend on how close the Member's present level of imports in any given product is to its economic share of this product. Countries taking less than their 'economic share' in certain products will have to take much larger rates of increase in these products than will those who already take their fair share or who take more than their share. The latter will still have to take some increase, but it will be very small. The formular will apply to all new or renegotiated textile quotas starting with India and Pakistan with whom the Council has authorised negotiation to start.

This should significantly relieve some of the pressure on the industry from low cost Indian and Pakistani goods. This is welcome news to the UK's textile industry, especially to the cotton and manmade sector.If Britain were outside the Community, British textile producers would have to face a 6% growth rate in imports each year to 1977 under the Multi-Fibre Arrangement (MFA). Under the Community burden sharing agreement Britain will only have to take an annual increase of ½% in these goods.

However, there are a few countries such as Brazil and Yugoslavia from whom the UK must accept significantly larger growth rates because its past imports from these places have been very small. Nonetheless, even fairly large growth rates are not too bad when they are starting from a low base. Overall, British quotas are likely to increase by 0.8%, whereas outside the Community and party to the Multi-Fibre Arrangement they could be expected to increase by at least 6% overall.

The one area of great concern to the UK textile industry as part of the Community is imports of yarn from Greece and Turkey which are already coming in in rapidly growing amounts. A number of projects have already been made concerning these both to the UK government and to various officials in Brussels.

In 1973 the UK textile industry received £600,000 from the Community's Social Fund for retraining and resettlement of workers. The Commission is very concerned about the problems of unemployment in what it considers the industries most likely to be hard hit by the present recession. The textile industry is one of these. The Commission wants the Community to take special measures to ensure that people who are put out of work because of the present downturn are helped to move as quickly as possible into other jobs with the least social cost. As soon as the Regional Fund begins operating many parts of the UK industry also can receive aid from this because they are concentrated in regions of high structural unemployment, namely the north-west, parts of Yorkshire, and sections of the Midlands. Any decline in the industry in these places without adequate provision for redeployment of the workers made redundant could greatly increase the social problems of these areas.

As the need to open markets ever more widely to imports from developing countries, it becomes ever more necessary for textile industries in the Nine to maintain a technological lead. In order to encourage more effective research and development in the textile industry, the Commission has chosen three research projects to be supported by the Community. These are heat treatment of man-made fibres, treatment of textiles in organic solvent media, fireproofing of textile fibres by radiation-grafting. This is only a small beginning, but it is meant to give more than symbolic supper for increased cooperation in applied textile research at the Community level. The Community's financial contribution will constitute only one third of the total, the remainder will come from the industry itself. However, the Community's contribution is expected to have a multiple effect much greater than the sum involved.

For all of these reasons the British textile industry prefers to weather the economic storms of the next few years inside the Community rather than floating around in a free trade area, missing out on many benefits, or drifting out to sea in isolation, unable to either compete against imports or to have any real influence in the forums of the world where the policies of greatest importance to the UK industry are being taken.

TUC STANDS STILL ON EUROPE

Events at the 1974 Trade Union Congress were dominated by the recognition of the imminence of the election, and specifically by a concern to preserve the Social Contract, which was the subject of the week's main debate.

Nevertheless — as the excellent speech by Jim Callaghan made clear — the concern of the delegates with internal economic matters did not exclude discussion of the effects on the British scene of international economic events. Mr. Callaghan, speaking in his capacity as fraternal delegate of the Labour Party, stressed the economic interdependence of the United Kingdom, Europe and the rest of the world, as did Mr. Wilson later in the week. Mr. Callaghan also gave a grim warning that the nations of Europe and the world must act in concert to tackle the difficult problems of trade and inflation facing them. If they did not then there might be — whatever domestic British policies were adopted — severe unemployment and still an unacceptably high rate of inflation.

The Debate

The debate on the EEC opened quietly enough with Jack Jones presenting the report of the International Committee of the General Council. He did refer to the European Community, but almost only in passing. He declared firmly, however, that the TUC would have 'no truck' with Community consultative institutions, and restated the position of the TUC as supporting the Labour Government's line on 'renegotiation'. The General Council was, also, insistent that there should be a referendum on the issue of British membership of the Community, and that this should be held 'within a year'.

Four motions

There were four motions for debate relating to the EEC. Two concerned trade union participation in trade union grouping at European and international level. Two others concerned the TUC's general attitude towards the Community.

The first motion, moved by the AUEW (Engineering Section), wanted greater trade union cooperation both in Europe and throughout the world, particularly to deal with the activities of multi-national companies.

Alongside this motion was taken another by the Electrical, Electronic, Telecommunications, and Plumbing Union who wanted to see the TUC nominate members to all committees, institutions and organisations of the EEC in which the TUC is entitled to participate as a trade union organisation. The argument pur forward in support of the EETPU motion was the one advanced at Congress last year to the effect that trade unions have a duty to protect their members' interests wherever and whenever decisions are being taken which affect them. This view was put by Derek Gladwyn, who seconded the EETPU motion on behalf of the third largest union of the Congress, the General and Municipal Workers Union. Mr. Gladwyn instanced the progress that was being made in the field of social policy, including the £24 million provided from Community funds during 1973 to assist the retraining of British workers, and how the participation of the British trade unions movement in the relevant European institutions would assist in promoting various Community-level social policies now in the pipeline.

Motion against participation carried

After a brief intervention by the General Secretary of the TUC, Len Murray, who argued that the situation regarding participation had not changed since last year, the AUEW motion was carried and the EETPU defeated, both on a show of hands with no card-vote being taken.

British membership

The next two motions to be debated were those on British membership of the European Community, moved by the TGWU and by the Sheet-Metal Workers Union respectively.

The former motion merely reiterated a Congress motion passed last year reaffirming the continued opposition of the TUC to membership of the European Community. The second motion was a composite of three motions and appeared to some unions to be less uncompromising than the TGWU motion though others supported it for the opposite reason. The composite motion demanded that any renegotiated conditions of British membership of the Community should include a rejection of the Common Agricultural Policy and the retention by the British Parliament of the sole power over legislation and taxation. It also demanded a referendum on the issue of British membership of the European Community and that there should be limits on expenditure in the referendum campaign.

The debate was opened by Harry Urwin of the Transport and General Workers moving his union's motion. His arguments followed the same pattern as in his speech last year supporting the identical motion, though they went perhaps further in condemning the EEC. Three main arguments were advanced. First, that the trade deficit of Britain with the original EEC countries had severely deteriorated since membership and this proved that the Community was bad for Britain's external trade situation. Second, that the Common Agricultural Policy had imposed taxes on food to British housewives. Third, membership of the European Community tookaway Britain's sovereignty.

Food prices

This line was supported more or less by most of the speakers who spoke for the TGWU motion and for the Sheet-Metal Workers motion. Against the motion, it was pointed out by Roy Grantham of APEX that the rise in British food prices was not the fault of the CAP, but almost entirely due to the massive increases in world agricultural prices and the devaluation of the pound sterling.

What the position is now

In terms of action the attitude of the TUC has not changed significantly since the discussion at last year's Congress. There has been a general hardening of attitudes against the European Community since last year, but this to some degree merely reflects the general movement of public opinion on the issue. The attitude of the trade unions towards the issue of Britain's membership seems to be that it is merely one issue among many with which they are concerned. They are not exactly enamoured of the EEC, but it appears to be more an attitude of dismissive dislike rather than intense antagonism as far as the majority of trade unions and trade unionists are concerned.

CAN THE COMMISSION END DISCRIMINATION AGAINST WOMEN?

In late July the Commission approved a report on the implementation of equal pay for equal work for women and men in Denmark, Ireland, and the UK.[1] This report complements the report of July 18th 1973 on the implementation of Article 119 in the Six. It is this article which lays down the principle of equal pay for equal work. Article 119 became applicable to the three new members as from the date they entered the Community. In its conclusions the report acknowledges the value of the efforts being made in the three new members to implement the equal pay principle, but points out that the situation is not yet completely satisfactory. The report has been sent to the Council, the European Parliament, and the Economic and Social Committee.

Present Situation in Denmark, Ireland and UK[2] Public Authorities

The United Kingdom has already introduced the principle of equal pay into its domestic legal system in the area for which public authorities are responsible. This law will have full effect at the end of 1975. Wage discrimination against women still exists in the UK's wage regulations order.

The Irish Government passed a Bill on June 25th, 1974 to provide for the application of equal pay at the end of 1975. Wage discrimination against women still exists in both the public service and in employment regulation orders. There is no anti-discrimination law in Denmark at present. The question is deemed to be the sole responsibility of the social partners who signed the National Agreement in 1973.

Collective Agreements

In both the UK and Ireland there are numerous examples of discrimination against women in the area of collective agreements. Such discrimination occurs not only in rates of pay, but also in job classification, however, the UK is now in a state of transition in this field.

The situation in Denmark is better, especially since the National Agreement of 1973, however, the absence of any laws of general application means some problems do remain. These include a small number of workers not covered by collective agreements; legal guarantee of equal pay where effective earnings are concerned; and problems which could occur due to the lack of a detailed professional classification.

Commission takes vigorous stand on equal pay

The Commission has taken a strong stand to push through its programme to abolish sex discrimination in work. This is the only area of social policy in which the member states have allowed the Commission a degree of authority and the Commission intends to make use of this. In order to end sex discrimination in all aspects of work, not only in the field of *equal* pay, the Commission has prepared an action programme making use of the three types of instruments at its disposal:

(a) statutory — regulation and directive
(b) financial — grant aid from specified funds — ESF
FEOGA
Regional (proposed)
(c) hortatory — encouragement, attitude and opinion formation
— research and development

The programme is currently being prepared by the Commission with the advice of an ad hoc Committee on which each member has two representatives. These representatives have tended to be civil servants, while the Commission would have preferred that they had not been
Therefore, it has made parallel arrangements to learn the views of the trade unions and employers. The proposal for a first programme must be submitted to the Council by the end of 1974.

[1] See Appendix 1 for text of directive.
[2] For laws on equal pay throughout the Nine, See Appendix 2.

Preparatory Research Work

The Commission believes its proposals will be practical and effective because they are based on a great deal of preparatory research. Statistical enquiries have been made on the structure and distribution of pay to industrial workers. Reports have been written on the application of Article 119 in the member countries. In 1970 the Sullerot Report was published and in 1972 the Vogel enquiry undertook a sample survey of women in employment in the Six. This year the Cornu enquiry is extending the information derived from the reports on the application of Article 119 to the three new member states. This should be available in the autumn. All these studies have shown up both widely varying circumstances and closely similar underlying trends in the Member States.

Present Discussions should lead to better deal for Women

The desired results would include such things as the use of law to prevent discrimination against women and to give them access to employment and promotion where possible. The European Social Fund could create better opportunities for vocational training of women, particularly those re-entering employment in middle life. A documentation and information centre should help change social attitudes toward women and improve the image of the working woman. In addition to the draft directive mentioned above, on the subject, the Commission is attempting to get an agreement (between the social partners) at European level to ensure the principle of equal pay for equal work is implemented throughout the Community.

Danes and Dutch Challenge Commission's Stress on Law

Except for the Dutch and Danes, all the members have subscribed to the principle of enforcing various aspects of equal pay through legal methods. The Commission, therefore, tried to get all the members to use a legal approach, much to the annoyance of the Danes and Dutch. In order for the Danes to conform to this theoretical Community standard, they would have to ignore the opinion of Danish trade unions, something their government is unlikely to do. The Commission insisted that the Dutch introduce legal enforceability and having threatened to take the government to the European Court if it did not do so, it now seems to have withdrawn, leaving the Dutch as they were. Although Dr. Hillery, Commissioner for Social Affairs, has said ultimately equal pay for equal work could only be ensured through legal systems of the Member States, the Economic and Social Committee do not agree. The Committee realises many employees, especially women, are often apprehensive about applying to the Courts. They are often frightened about subsequent disciplinary measures, court procedure, which they do not understand, being unable to form a realistic assessment of the outcome and about the parties to the relevant collective agreement not supporting a complaint against it.

In addition to legal sanctions the Eco-Soc also felt states should appoint "ombudswomen" to ensure that rights to and benefits from the principle of equal pay are accessible to all on a practical level. Therefore, the Eco-Soc recommended that the relevant article in the Commission's draft directive be expanded to include the hearing of claims before other bodies, besides courts, empowered to deal with them. Eco Soc also challenged the fact that national social security systems are exempt from the provisions of the Commission's proposed directive. Many members of both the EP and Eco Soc saw such an exemption as an unjustified concession to a May 1971 ruling of the European Court of Justice, which rules out the possibility of Article 119 covering questions concerning social security schemes, which are regulated by law. In spite of the Courts' ruling, the Eco Soc thought that the Commission should not have expressly excluded from the equal pay principle those social security systems regulated by law.

Both the EP and Economic and Social Committee wished to suggest recommendations which went beyond the Commission's plan. Equal pay has to surmount social and economic barriers which are reinforced by the culture of most European states. They stressed the need to 'recognise' the three phases in a woman's working life (i.e. work, interruption of work and resumption of work sometime later). All concerned, must have the will to overcome the difficulties that exist, in order to ensure that women are satisfactorily re-employed and that governments must introduce measures to ensure the continuous vocational and further training of women, and financial support for such training.

Although the Commission's real power in the field of social affairs is very limited, the fact it is in a strong position on the question of equal pay should mean this could become a basis for a positive change in the position of women in the Community. Both the European Parliament and Eco Soc obviously support an end of discrimination against women. It is hoped the present directive with the amendments proposed by the EP and Eco Soc will be accepted. However, even without these amendments, its acceptance would indicate a strong desire by member states to see the principle of equal pay fulfilled. The suggestions for a much wider move against discrimination which were suggested during the discussions in the EP and the Eco Soc, show there is a growing desire at European level to attempt to end discrimination against women as completely as possible and an acceptance that this will mean a fundamental change in attitudes to set rules for the sexes still accepted by the majority of the population. Whether the Community can make a significant contribution to the ending of sex discrimination remains to be seen. It is encouraging to see that it is at least making a serious effort to do so.

Conference on Women's Problems Held

On September 12 and 13, 1974 a two-day seminar, organized by the Trade Union Division of the Commission and Eurofiet, was held in Luxembourg on the employment of women and on the problems of women in the Community. This was attended by delegates from all Community countries. These discussions brought out the situation in regard to application of the principle of equal pay for work of equal value in each of the Nine, and considered possible initiatives which the Commission might take.

The recent election of Mrs. Marie Patterson, General Council member and Woman Officer of the TGWU, as President of the TUC for the coming year should help to bring more attention to the problems of Britain's many underprivileged women workers.

CHINA'S INTEREST IN COMMUNITY INCREASING RAPIDLY

China's view of the European Community has changed significantly since 1969. At that time China saw the Six as "the centre of imperialist contradictions" and an "American machination" designed to consolidate US interests. By 1970 China's growing interest in the Community was shown by the increasing amount appearing about it in the Chinese press and by the growing number of Community publications being translated. The amount of press coverage has continued to grow since then. By 1971 the Chinese had begun to see the Community as "a balancing factor between the great powers". Since that time, Chinese contacts at a variety of levels have grown rapidly and China strongly supported the enlargement of the Community. Today China seems to favour the emergence of a strong and independent European Federation.

How Contacts Grew

In May 1971 Chou En-Lai, the Chinese Prime Minister, confided to the Italian Foreign Minister that "China would like to organize its relations with the Common Market in a constructive way". Since 1972, members of the Chinese Embassy to Belgium have had official contacts with Commission staff to obtain oral and written information on the Community and its policies, particularly its external relations and its common commercial policy. In June 1972 the Chinese Committee for Promotion of International Trade visited the Netherlands and Belgium and also attended trade fairs in Milan and Hanover. A year later a Chinese delegation on banking and insurance visited London. This growing interest in the Community has had positive results in the Chinese administration. At the end of 1973, the Chinese Foreign Ministry set up an autonomous division concerned specifically with European affairs. According to Mr. Norgaard, President of the Council in 1973, China has not yet decided whether to recognize the Community, but it is studying the advantages it could hope to gain from doing so. All Nine member states of the Community have recognized China. President Ortoli has declared "the Community is ready to establish relations with China if she wishes".

China/EEC Trade

The Community is China's second largest trading partner; Japan is first. In 1972 the Community of Nine accounted for 32.3% of China's exports and supplied 23.8% of its imports.

China/EEC Trade — 1958-1972

(in mn. u.a. — 1 u.a. = about £0.51)

Year	Chinese Exports to Nine	Chinese Imports to Nine	Chinese Commercial balance with Nine
1958	163.3	383.4	-220.1
1970	348	460.8	-112.8
1971	369.1	414.9	- 45.8
1972	431	381	+ 50

Source: Statistical Office of the European Communities

Raw materials and agricultural produce make up more than 60% of China's exports. Its main imports are iron and steel (20%), wheat (15%), machinery (14%), fats (13%), and non-ferrous metals. China is tending to go more and more to developing countries for fats and metals. Unlike other state-trading countries, China does not use long-term credit to overcome its need for investment goods. Its export capacity determines the volume of trade and the commercial balance is always maintained.

Since January 1973, member states have not been allowed to conclude commercial agreements with China (or any third country) on a bilateral basis; although some of them had done so previously. If China's interest in the Community grows, and it seems fairly certain it will, there is a strong possibility China may soon decide to recognize the Community. This could clear the way for a trade agreement between the two which could provide advantages for both sides.

Metal Workers Seek Coordination at European Level

The European Metalworkers' Federation meeting in Frankfurt in early November 1974 elected Hugh Scanlon as their President for the next three years. Although he said this did not represent a change in the view of British unions on the EEC, his acceptance of the post should do much to increase coordination of metal workers on a European scale. The Congress spoke of the need for closer consultation between union and Community institutions, especially the Council of Ministers, on industry, energy, and social matters. It also demanded that the European Parliament become a genuine political centre with legislative control. The union wants common policies for both energy and employment as well as on collective wage agreements on a European scale. This Congress was only the most recent of a number of moves this year by the metalworkers to greatly improve their organization at the European level.

Earlier, on May 20, 1974, delegates from metal unions from many European countries, in particular, France, Holland, Germany, Belgium, and the UK, had met in Brussels to attempt to coordinate the negotiating position of all metal workers employed by Philips throughout Europe.

The coordinating committee examined the employment situation and possible rationalisation in Philips plants within the Community. Much attention was given to the possibilities for action of the trade union liaison committees between the Philips plants in different countries. Results of negotiations in various countries and the expiration dates of contracts were also compared. The meeting also discussed preparation for the fifth top level meeting between the EMF and the management of Philips. The emphasis in the discussion was on union strategy and practical means of action.

The EMF Committee then drew up 6 proposals for the meeting with Philips management.

1. Survey of investment and production plans.
2. Report on movement of Philips' personnel within Europe.
3. Guaranteed wages for cases of short-time working, reorganization, rationalization, mergers and plant shutdowns.
4. Creation of a joint liaison organisation of workers' representatives in Philips European plants.
5. Improvements in relations between management and unions at Philips.
6. Elimination or reorganisation of work on the production line and reorganization of work in general.

Such moves toward community-wide union action can be expected to increase in the future as more trade unionists learn that it is not only management which can organize on a European scale.

In the autumn the European Metalworkers' Federation decided to organize a day of action on October 3 for all European metal workers to call attention to their problems and the causes of these problems. They declared that the oil crisis clearly showed the mammoth power of the multi-national companies, particularly the oil companies. They pointed out how the crisis has shown the weaknesses of the Community as well as the inadequacy of national governments to cope with the energy problem. They stressed in such a crisis, it is the workers who are most hurt by rising costs, shrinking buying power, and insecurity of employment, and spoke out against the attempts of various governments to replace collective bargaining by an incomes policy. The Federation demanded that:

(1) the workers and their union representatives be given the means for democratic control of companies and negotiations be begun at once to remedy the worst affects of the present crisis on job security, wages, and working conditions;

(2) governments adopt a policy of democratic planning which would favour the interests of workers and the most needy groups in society;

(3) governments cease all attempts to undermine the unions power of free negotiation;

(4) governments take effective measures to guarantee full employment and price stability;

(5) the European Commission speed up its enquiry into the role of multi-nationals in the so-called 'oil crisis', organize a new and effective European policy in the energy sector, take effective measures at a European level to limit the power of multi-national companies, check inflation, safeguard buying power and security of employment and find ways to protect workers from the consequence of economic fluctuations. The Federation addressed an urgent appeal to the governments of the Nine to reform the Community in the interest of the workers and to give it the power needed to carry out the actions listed above. In place of a Europe of bosses there must be a united Europe based on social justice and democracy.

Director General of Social Affairs on the Humanisation of Work

What is meant by the humanization of work? Why is it important? Between November 4th and 7th, 1974, the Commission held in Brussels a conference of experts on the humanization of work which tried to answer these and related questions. (For a variety of reasons trade unions did not officially participate in the conference). One of the main speeches of the conference was given by Michael Shanks, the Director General of DGV, Social Affairs.

He began by setting the idea of humanization of work in the context of the 3 main guidelines of the Social Action Programme of the Community. These are improving living and working conditions, participation, and full and better employment. In the field of employment policy the Commission is particularly concerned with the vulnerable categories of workers, the migrants, women, and the handicapped. Secondly, the Commission is concerned, through the use of the Social Fund, with training and retraining and with the upgrading of skills. Thirdly, there are directives relating to conditions of work and job security which have been presented to the Council of Ministers. There is already a proposed directive on mass dismissals and the Commission is now looking at the question of individual dismissals and the preservations of workers' rights when the ownership of a firm changes hands. Fourth, the Commission has proposed the setting up of a Foundation for improving living and working conditions and of a European Vocational Training Centre, (see *Trade Union News* — Spring/Summer 1974). It also is working on programmes on health and safety, on ergonomics and on the protection of the environment. Finally, there are the proposals on participation, the European Company Law Statute and the Fifth Directive.

Mr. Shanks said that the two main questions they must ask themselves were:

(1) how to insert specific improvements in the organization and the humanization into the general context discussed above, and

(2) why humanising work should be done at all.

He said humanisation of work must be seen as an attempt to prevent crises arising. He stressed the rapidly rising expectations of the Community's workers, caused in part by the rising educational levels, and the need for closer liaison between the educational and the industrial sectors of society. He also noted that the subject of humanisation of work is moving into the arenas of both collective bargaining and political awareness. He hoped this conference would help provide suggestions on how these problems could best be solved at governmental level.

Mr. Shanks spoke of technological opportunities and the possibility available today for the full automation of some of the worst jobs. He said we are entering an era when technology can be put at the service of man, if we know first what we want to do. He spoke of the dramatic growth in shop floor democracy, and of what role bodies such as works' councils and Comites d'entreprise should play in the humanisation of work.

If we are going to bring about all the needed changes what will be the agents of change? The most important agent must be the Social Partners. Today, as in the past, the social partner relationship covers such things as pay, working time, social protection, the physical working environment, employment policy, personnel policy and the formal structure of decision making.

In the future it is likely technological innovations in industry will become a new element in collective bargaining. A second agent of change should be more formal initiatives by the management of individual firms in a more general way by schemes such as those used in Norway and Sweden. The Community should study and note the strengths and weaknesses of both the Norwegians' more centralized approach and the Swedes' more decentralized one. A third agent of change should be the government. Government institutions in the field should work closely with related Community institutions, which will be set up. There is also the question of government legislation, in such areas as mitbestimmung and in the Swedish use of an investment fund for improving the working environment. Moreover, it is up to governments as employers to play a much more creative role in the humanisation of work.

In seeking to implement any suggestions for the humanisation of work, one will run into a number of constraints. The most crucial problem is that work humanisation requires new roles of the people concerned. The role of the middle manager or supervisor may be especially difficult. There is also the problem that some workers may not want the new responsibilities and mental disciplines that taking part in an autonomous work group imposes. The unions may see participating in the new job enrichment schemes as conflicting with their traditional roles. Furthermore, there is the problem that many of the experiments may place in isolation and risk the 'goldfish bowl' syndrome (i.e. that the workers' attitudes may be affected by the fact that they feel they are taking part in a scientific experiment not simply doing their job in a new way). There is a need for bringing more social values into the training of engineers and technicians, who usually create the working environment of many workers. Finally, there are economic constraints. Humanisation of work must be related in some way to cost accounting, but it also will be necessary to look more deeply into our accounting conventions. As some firms do make changes to humanise work, care must be taken that by doing so they do not thus put themselves in a less competitive position.

Mr. Shanks emphasized the important role he expects the Foundation for improving living and working conditions should play. He hopes it will play a leading part in the exchange of information, people, ideas and exports, and will do research in ergonomics. Secondly, there is the possibility of a sectorial approach where both social partners sponsor experiments in their sector. Thirdly, investment incentives from both the EIB and the Social Fund might be used to encourage social innovations. One of the criteria for loans for the EIB might be investments with a clearly social purpose.

Both the proposed European Centre for Vocational Training and the ETUC's proposed European Trade Union Institute should constructively influence professional training. The idea of firms discussing their social achievements with their works councils or other groups representing the workers is becoming increasingly widespread and a social audit of companies is beginning to be practised in a number of countries. Mr. Shanks said he saw the role of the Commission in all this as that of a catalyst, a cross-fertilizer. He saw the importance of conferences such as this one in their ability to create climates of opinion which in turn will influence decision makers throughout the Community.

He concluded by asking the delegates to consider whether they should not make some kind of declaration of intent with the social partners on what they felt the main objectives for improving the humanisation of work should be.

U.K. Receives Large Grants from Social Fund

Britain was the largest beneficiary from the second batch of Social Fund grants approved recently in Brussels.

Out of a total allocation of approximately £27 million the UK received about £9 million. Full figures are given in the table below. As these are only the second of four annual payments, it is too early to calculate how much each country will receive by the end of 1974. The first batch of grants, approved in July, were for a total of £32 million.

Assistance from the social fund is divided into two categories arising from Article 4 and Article 5 of the Fund. Article 4 is for retraining workers — notably in the agricultural and textile sectors — whose jobs were directly affected by Community policy. Handicapped workers can also be helped from this section. Article 5 is used to help counter bad employment situations, particularly in declining regions, and can also help special categories of workers, such as the young and the old.

Article 5 Assistance (millions of £s)

	Number of workers assisted	1974	1975	1976
Belgium	9,840	1.326	1.479	—
Germany	2,268	0.714	0.204	0.0459
Denmark	2,615	0.765	—	—
France	15,231	5.712	0.0102	—
Ireland	2,823	0.459	0.204	0.0357
Italy	15,029	5.151	2.244	0.663
Netherlands	2,730	1.275	—	—
United Kingdom	19,765	9.588	6.120	—
	70,301	24.990	10.2612	0.7446

The European Parliament

The role of the European Parliament is to exercise democratic control over decisions taken by the other institutions of the Community which are not answerable to national parliaments. The Parliament was set up by the Treaties of Paris and Rome which set up the three European Communities in 1958. It has a membership of 198 and meets in either Strasbourg or Luxembourg, where its secretariat is located.

Number of Members by Country

14	Belgian
36	British
10	Danish
14	Dutch
36	French
36	German
10	Irish
36	Italian
6	Luxembourg

During 1973 the Parliament met in plenary session twelve times for a total of 52 sitting days. In addition there were 296 committee meetings. Members sit in a semi-circle according to their political conviction. There are six political groups. These are the Communists and Allies, Socialists, Christian-Democrats, Liberals and Allies, European Progressive Democrats, and European Conservatives. In addition a few members sit as independents. At present they are appointed by the national Parliaments from their own ranks. However, the European Treaties do make provision for election by direct vote, and it is hoped this will be possible in the not too distant future. Members are not appointed to defend national interests, but to represent the peoples of the Community as a whole. The Parliament can discuss any matter of importance to the Community. It regularly reviews the policies pursued by the Commission which is answerable to Parliament. It also can oblige the Commission as a body to resign. However, the debates of the Parliament only concern general policy a small part of the time. A large part of its time is spent framing Community legislation. Although its advice is not binding on the Council, which takes the final decision on Commission proposals, it does carry considerable weight and since enlargement it is coming to be taken rather more seriously. Until the Treaty of April 22, 1970, its budgetary powers were limited to delivering an opinion on the draft budget. This treaty significantly increased these powers. It lays down that the ultimate decision for certain kinds of expenditure will lie with the European Parliament. This increase in its powers has set off a process of change which the Parliament will try to speed up as much as possible, so that it can gradually assume its full legislative role. From 1975 the Parliament should have a measure of real control over the budget. It will have the power to amend expenditure proposals put forward by the Commission when it draws up the forthcoming year's budget, provided that the changes made do not increase the overall budget total. However, the Council will retain the right to reject, by qualified majority vote (41 out of 58), the proposed amendments. The Parliament will continue to be able to propose amendments to increase the total, which the Council will accept, if it agrees to these. Thus with regard to the drawing up of the budget this means that subject to the qualified majority voting condition, the Parliament will have the last word on expenditure within the total proposed by the Commission. Up to now the Parliament has had power only with regard to administrative expenditures, which amount to 3-4% of the total budget.

In addition a consultation procedure will be established among the Parliament, the Council, and the Commission. This will be used should the Parliament and the Council disagree about a Community policy decision with 'considerable financial implication' and not already covered by an earlier Community decision. Thus, on questions such as the amount of regional development fund or renewing overseas development aid the Parliament will be brought more directly into the decision making although it is not given the final say. This power over 'non-automatic' expenditure which does not arise from previous decisions will give the Parliament control over about 13% of the total budget. If the Regional and Social Funds grow, as is very likely, Parliament then would have direct power over around one quarter of the budget, as it is at present constituted. As the 'automatic' farm expenditure gradually becomes proportionally less, and expenditure on regional and social problems grows, the power of the Parliament will correspondingly increase, quite apart from the possible further extension of its powers.

A further check will be put on Community expenditure by a planned fourth Community institution, the Court of Auditors, which will have powers to control and check expenditure from Community funds by Community institutions and by the national governments and their agencies. The European Parliament plans to set up its own Public Accounts Committee to work with the Court of Auditors. This new court should do a great deal towards ending the Frauds which have been perpetrated, especially under the CAP.

The Parliament's increasing control over the budget is very important now because since 1971 the Community has been gradually acquiring its own resources which will cover all Community expenditure and which will no longer be subject to the control of the individual national Parliaments.

However, the Parliament is still waiting for the Nine to give effect to the clause in the Rome Treaty providing for its election by direct universal suffrage. There has been increasing pressure from many quarters for direct elections. In 1960 a Convention on this subject was drawn up. Since then it has 'lain on the table'. At the end of 1974 the Parliament will be producing a revised Convention for direct elections. It will probably provide for direct elections in May 1980 of a Parliament enlarged to about 550 members.

The Committees—

In the work of the Parliament the committees and political groups play a very important part. Politically speaking the membership of the committees reflects that of the House as a whole. Their work consists not only in preparing the ground for debates before the whole House, but also in keeping in touch with the Commission during breaks in Parliament's session. The committees usually meet in Brussels. They are kept informed about the Commission's thinking and planning and can thus play an active part in shaping Community policies. Committee members may be sent on special fact-finding missions within the territories of the member states.

The 12 Standing Committees:

1. Political Affairs Committee
2. Legal Affairs Committee
3. Committee on Economic and Monetary Affairs
4. Committee on Budgets
5. Committee on Social Affairs and Employment
6. Committee on Agriculture
7. Committee on Regional Policy and Transport
8. Committee on Public Health and the Environment
9. Committee on Energy, Research and Technology
10. Committee on Cultural Affairs and Youth
11. Committee on External Economic Relations
12. Committee on Development and Cooperation

The Political Groups—

The first three political groups formed were the Christian-Democratic Group, the Socialist Group and the Liberal and Allies Group. In 1965 the French Gaullist members formed the European Democratic Union Group. After Ireland joined, the Irish Fianna Fail members joined this group to form a new group, the European Progressive Democrats. Membership of a group is not compulsory, particularly as the rules of procedure lay down that a group shall comprise at least 14 members to be recognised. Recently the rules have been modified so that 10 M.P's may form a recognized group, if they are drawn from at least three member countries. The groups try to set aside purely national interests and to present a common political view on all matters arising in committee or in the House.

The Political Spectrum of the European Parliament

	National total	Christian Democrats	Socialists	Liberals	European Conservatives	Communists & Allies	Progressive European Democrats	Independent Left	Independent Right
Belgium	14	6	4	2	—	—	—	2	—
France	36	2	8	10	—	4	12	1	—
Germany	36	16	17	3	—	—	—	—	—
Denmark	10	—	4	3	2	1	—	—	—
Ireland	10	3	2	—	—	—	5	—	—
Italy	36	16	7	1	—	9	—	—	3
Luxembourg	6	3	2	1	—	—	—	—	—
Netherlands	14	6	6	2	—	1	—	—	—
U.K.	22	—	—	2	18	—	—	2	—
TOTAL	184	52	50	24	20	15	17	5	3

Source: European Parliament

How the Parliament Works —

The Parliament's annual session begins on the second Tuesday in March. Part-sessions are held ten or eleven times a year. Special sessions may be convened by the President at the request of the majority of its members or at the request of either the Council or the Commission. Parliament is run by a Bureau, which is elected for one year and consists of the President and 12 Vice-Presidents. The Chairmen of the political groups are usually invited to attend meetings of the Bureau.

There is a Presidential Committee comprising the President, the Vice-Presidents, the Chairman of the twelve committees and the Chairman of the political groups. Its main business is to coordinate Parliament's activities. The President may invite Commissioners or Council members to attend meetings of the Presidential Committee.

Unless Parliament decides otherwise, its plenary sittings are open to the public, although committee meetings usually are not. Debates both in committee and in the House are conducted in the six working languages of the Community: Danish, Dutch, English, French, German and Italian. There is simultaneous interpretation of all debates. Reports and documents are available in all six languages.

The European Parliament has a Secretary-General appointed by the Bureau, who heads the Secretariat. This comprises five Directorates-General:

— Sessional and General Services
— Committees and Inter-Parliamentary Delegations
— Information and Public Relations
— Administration, Personnel and Finance
— Research and Documentation

When the Parliament is consulted on any matter, the President refers the matter to the appropriate committee. The committee appoints a rapporteur who draws up a report, which is discussed in detail in committee and when adopted, is laid before the House. As a rule the report includes a motion and an explanatory statement, which gives the result of the committee's vote. Where appropriate, minority opinions are stated. The report of the committees are debated and put to the vote in plenary sitting.

Law-making in the Community is a triangular process. The Commission proposes and the Council decides after consulting Parliament. But because the Commission is accountable to Parliament, there is constant discussion between these two institutions and this dialogue enables Parliament to exercise its influence at every stage until the Council takes the final decision.

Parliament and the Commission —

Every year the Commission submits a report on the activities of the three Communities to the European Parliament. Commissioners take part in meetings of parliamentary committees.

Members of the European Parliament may address written questions to the Commission. These and the answers given are published in the Official Journal of the European Communities.

Members may put oral questions without debate if these are accepted by the Bureau. Oral questions with debate may be put by a committee, a political group or at least five Members. These also require acceptance by the Bureau.

Question Time takes place on the second or third day of each part-session, when an hour is set aside for Members to put questions directly to the Commission. Each Member may also put one supplementary question. Since the enlargement of the Community at the beginning of 1973 there have been steady improvements in the procedure of the Parliament. Question Time has been remodelled on the Westminster pattern with unprepared supplementary questions; and there is now provision for an emergency debate on a topical subject at the end of Question Time, if a group or at least five members do not consider that a point has been dealt with in full. This is then held immediately afterwards. Increasing use is being made of an accelerated procedure for passing non-controversial reports in plenary session.

In 1973, Members of the European Parliament put down 1224 parliamentary questions:

(1) 41 Oral Questions

(2) 764 Written Questions

(3) 419 at Question Time

Parliament can, by a censure motion carried by a two-thirds majority of the votes cast and representing a majority of its Members, force the Commission to resign as a body. The fact that it is answerable to Parliament means that the Commission is a political body.

Parliament and the Council —

Parliament has no control over the Council of Ministers and relations between the two, developing pragmatically, are largely a matter of custom. Annual exchanges of views between Parliament, Council and Commission have become a regular feature. At these 'colloquies' as they are called, the main aspects of Community policy are considered. Parliament's committees draw up working documents on the matters to be dealt with.

The President of the Council, furthermore, regularly makes oral reports to Parliament on what the Council has done and will do. Members may put written questions to the Council, which has also agreed to reply to oral questions, with or without debate, on matters covered by the Treaties and to participate in Question Time.

The practice now is for a member of the Council to take part in meetings of committees and in debates in plenary session when the Community's budget is being considered.

As part of the political cooperation between the Nine, meetings are held quarterly at which Foreign Ministers report to the Political Affairs Committee of the European Parliament on matters they have discussed. The intention underlying this procedure is to involve the representatives of the peoples in giving shape to political union. Lastly, the President of the Council makes a report to Parliament every year on progress made on European political unification; this is pursuant to a decision by the Governments of the Six of 27 October, 1970.

Parliament and the Community's Associations —

Parliament plays a particularly important part in relations with the African States, Madagascar and Mauritius associated with the Community under the Yaounde and Port Louis Agreements. The Yaounde Convention provided for a Parliamentary Conference comprising 54 Members of the European Parliament and three Members from each of the Parliaments of the Associated African States and Madagascar. Further to the accession of Mauritius to the Convention, the membership of the Conference has been increased to 114. The Conference meets annually, alternately in Africa and in Europe, the first occasion being in Dakar in December 1964. In between sessions, a Joint Committee of 38 Members ensures continuity in the Association's parliamentary activities.

BOOK REVIEW

The Politics of Trade — the Evolution of the Superbloc, by Douglas Evans, Macmillan, London, 1974.

The main theme of Mr. Evans' book is the recent development of what he calls the five superblocs. He fears that as these blocs increase in strength a rise in protectionism will result. He spends most of this brief volume describing each of the five potential blocs. They are Eurafrica, meaning primarily the EEC and its African Associations, the U.S.S.R., as a Eurasian Power, the U.S. and Latin America; Japan and its growing spheres of influence in the Pacific and South East Asia; and China and its increasing power in Asia. In his final chapter he mentions the Third World and its goals. He stresses the significance of the relationship between the Community and the Third World and the mistakes the Community has made in dealing with its Associates. He thinks this increasing regionalism must be fought in the interest of world-wide goals. He concludes by putting forward a six point programme to stop the drift towards protectionism. This programme includes a major reform of the CAP, to prevent a major trade war; guaranteed markets and prices for Third World primary exports; rules to govern the conduct of multi-national companies; a strengthened IMF; the use of flexible exchange rates; and the establishment of a world wide energy agency along the lines of GATT.

Most of the ideas expressed are not particularly new, but the author does clearly state his case against superblocs. His epilogue gives the impression the shift away from Western dominance is unavoidable. The best the West can do is to learn to live with less wealth. While this has been noted by other writers, it has not yet become widely accepted. Hopefully this book will make a few more people think about exactly what this new austerity or lack of affluence will mean in the West. The most useful function the book can serve would be to cause more thinking about what Europe's role in a multi-polar world can and should be.

APPENDIX 1

THE DRAFT DIRECTIVE ON THE APPLICATION OF THE PRINCIPLE OF EQUAL PAY

While the European Parliament and the Economic and Social Committee warmly endorsed the Commission's determination to enforce the equal pay principle, both institutions felt that the Commission's proposals warranted certain improvements. The comments of the Parliament were of a very general nature whereas those of Eco Soc specifically related to the text of the proposed Directive "on the approximation of the laws of Member States concerning the application of Article 119".

Below is the text of the Commission's original draft Directive, and in block letters the specific amendments suggested by the Economic and Social Committee:

Article 1

This Directive is intended to approximate the laws, regulations and administrative provisions concerning the application of the principle that men and women should receive equal pay for equal work +, contained in Article 119 of the Treaty establishing the European Economic Community and hereinafter called "the principle of equal pay". THE PRINCIPLE OF EQUAL PAY IS TO BE UNDERSTOOD AS THE EQUAL TREATMENT OF MEN AND WOMEN WITHOUT DISCRIMINATION ON THE GROUNDS OF SEX, IN RESPECT OF THEIR CONDITIONS OF REMUNERATION, INCLUDING ASSESSMENT CRITERIA.

Article 2

Member States shall introduce into their domestic legal systems such measures as are necessary to enable all persons who consider themselves aggrieved by the non-application of the principle of equal pay to enforce their claims before the courts EITHER DIRECTLY OR, WHERE IT SEEMS APPROPRIATE, BY FIRST BRINGING A COMPLAINT BEFORE ANOTHER BODY EMPOWERED TO DEAL WITH CLAIMS REGARDING INFRINGEMENTS OF THE PRINCIPLE OF EQUAL PAY.

Article 3

Member States shall abolish all discrimination between men and women arising from laws, regulations or administrative provisions affecting wages, particularly as regards the public and similar services, the legal minimum wage and statutory wage-related allowances or benefits other than those falling within social security systems which are directly regulated by law.++

Article 4

Member States shall take all necessary LEGAL measures to render ipso facto ineffective any provisions contrary to the principle of equal pay which appear in collective agreements, wage scales, wage agreements or individual contracts of employment.

Article 5

Member States shall take the necessary measures to prevent any dismissals (TO PROTECT EMPLOYEES AGAINST DISMISSAL AND OTHER SANCTIONS) which might be construed as an employer's reaction to a complaint at the level of the undertaking or to suits tending to ensure that the principle of equal pay is respected.

Article 6

Member States shall ensure that the application of the principle of equal pay is supervised at the level of the undertaking and that all infringements are punished. (MEMBER STATES SHALL PROVIDE FOR SUPERVISION IN UNDERTAKINGS OF COMPLIANCE WITH THE PRINCIPLE OF EQUAL PAY IN THE APPLICATION OF COLLECTIVE WAGE AGREEMENTS AND INDIVIDUAL CONTRACTS OF EMPLOYMENT AND FOR THE PUNISHMENT OF ALL INFRINGEMENTS OF THIS PRINCIPLE).

Article 7

Provisions adopted in pursuance of this Directive and those already in force in this connection shall br brought to the attention of workers in any appropriate manner at their places of work.

Article 8

Within a period of six months, dating from the day that this Directive has been notified, the Member States shall amend their laws in accordance with the aforementioned minimal provisions and shall forthwith inform the Commission thereof. Laws thus amended shall enter into force one year after this Directive has been notified or not later than 31.12.75.

Article 9

In the two years dating from the expiry of the period of one year specified in Article 8 and not later than 31.12.77, the Member States shall forward to the Commission all the information enabling it to draw up a report on the application to the Directive for submission to the Council.

Furthermore, once this Directive has been notified, Member States shall ensure that the Commission is informed, in time for it to submit its comments, of the most important laws, regulations, and administrative provisions which they envisage adopting in the field covered by the Directive.

Article 10

This Directive is addressed to the Member States.

\+ Eco Soc recommended that "equal work" be eliminated from the text, and that the phrase be replaced by the additional paragraph.

++ Eco Soc strongly objected to the expressed exclusion of national social security systems from the provisions of Article 3.

APPENDIX 2

ENFORCEMENT OF THE PRINCIPLE OF EQUAL PAY THROUGH THE LEGAL SYSTEMS OF THE MEMBER STATES OF THE EUROPEAN COMMUNITY

Belgium	Royal decree of 24.10.67 allowed enforcement of right to equal pay; Decree replaced by law of 16.3.71. Law of 5.12.68 gave trade unions right to take legal action on behalf of workers — even against workers' wishes. Furthermore, collective agreements which are discriminatory can be replaced.
Denmark:	No legal or statutory provisions requiring the implementation of equal pay.
Eire:	Anti-Discrimination (Pay) Bill 1974, requires as a general rule that pay rates must be related to job function rather than sex. Proposed implementation 1977.
France:	Law of 13.7.71 requires collective agreements to provide for "equal wages for equal work". If right to equal wage not laid down by collective agreement, general legal principle on equality of sexes in preamble of 1946 constitution provides basis for court proceedings. This is confirmed in Law of 22.12.72. Infringements of rights to equal pay may warrant fines or other sanctions for the employer and the repeal of collective agreements, depending upon the source of infringements as determined by the inspector of labour. This stems from the law of 27.3.73.
Germany:	Article 3 of 1949 constitution of the Federal Republic stipulates equal rights. Legal standard determined by Federal Labour Tribunal. Laws on organisation of companies (11.10.52 and 19.1.72) and law on staff representation of 5.8.55 prohibit discrimination. Infringements may lead to invalidity of collective agreement. No official control.
Italy:	Article 37 of 1948 constitution stipulates equal rights and equal pay for equal work. There are specific provisions for certain professions and civil[service. Inspectors of labour have function to supervise equal pay enforcement.
Luxembourg:	Law of 23.6.63 confirmed principle of non-discrimination for workers in public sector. Law of 12.6.65 provides for equal pay in collective agreements. Law of 17.5.67 confirms the equal pay provision of the ILO convention.
Netherlands:	No general legal or statutory provisions on implementation of equal pay principle. Rights to equal pay result solely from collective agreements on individual work contracts. Stipulation that collective agreements must be "erga omnes".
United Kingdom:	Equal Pay Act of 1970 will assure general application of equal pay in the United Kingdom by 1975. Society Security Act 1973 requires pensions benefits to be given to all; hence, including women by law in schemes.