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1. JEAN MONNET LECTURE DELIVERED BY THE RIGHT HON ROY JENKINS, PRESIDENT OF THE EUROPEAN COMMUNITIES, FLORENCE, 27 OCTOBER 1977

Europe's present challenge and future opportunity

I would like to devote this first Jean Monnet Lecture, in this twentieth anniversary year of the Community, to a single major issue, but one which in its ramifications touches every aspect of European life. The hard, central core of the argument I shall develop turns around the case for monetary union. This, of course, is a familiar, rather than a novel concept. Despite its familiarity, it is neither popular nor well understood. But even for those for whom it is part of the normal landscape of economic theory and policy, what is very different compared to the last time the Community discussed the subject in any basic way is the state of the European and world economy, and the state of international monetary affairs. We need also to take a fresh view as to how monetary union should be allied with associated Community policies, and, more broadly, with the fundamental question as to how such an idea as monetary union fits with our view of the future division of functions between the Community and Member States.

This choice of subject does not imply a narrow economic view of the Community's function. It derives from the obvious fact that the most important weakness of the Community today is its central economic mechanism. Of course the Community has other primary functions. On the one hand it stands for a certain type of democratic and political society within Europe; on the other hand it stands as a viable political entity for dealing with a wide range of external relations.

On these two fronts, much remains to be done. But despite the shocks and difficulties of the recent past, the outlook is one af activity and promise. We are engaged in underpinning our democratic political values, not only in preparing the first direct elections to a new European Parliament, but at the same time confronting sympathetically but realistically the potential adhesion of three new Member States - three states which have recently made the historic shift from military dictatorship to parliamentary democracy. We have in the last fortnight seen a great European nation combat with resiliance and skill a major terrorist threat to individual freedom and the rule of law - those fundamental values for the strengthening of which the applicants have turned to Europe for sustenance.

In the world beyond, the Community has a solid record: the Lomé Convention, the Mediterranean agreements, and our response to the North/South dialogue. During the past six months, the Community has continued to move forward at the centre of major world negotiations. Indeed, such has been the advance that we face the somewhat paradoxical spectacle of Europe being taken more seriously from outside than from within. It is a paradox which, in my view, we cannot indefinitely sustain. Our size as a trading bloc conceals, rather than heals, our divisions and inequalities in the realm of economic performance. This cannot persist. The central economic weaknesses of Europe, if they continue, will not allow our external cohesion to grow, or even perhaps be maintained. Moreover, the prospect of enlargement will face us with the clear choice either of a strengthening of the sinews of the Community or of tacit acceptance of a loose Costums Union, far removed from the hopes of its founders, and without much hope of recovering momentum.

Some commentators believe the time is unpropitious for adventurous ideas. I do not agree. The concept and indeed the politics of monetary union stand immobilised in scepticism, following the demise of the Werner Plan, whose initial exchange rate mechanism was shattered by the turbulent monetary events of the past few years.

The consequence has been an understandable shift of emphasis. The concept of gradualism, which has been more imperceptible than inevitable, has come to supplant more ambitious schemes. Some people seem to believe that we can back our way into monetary union; others that better coordination is all that is required. I am afraid neither view is right. The last few years have seen a retreat rather than an advance. In any event, the idea of an antithesis between gradual evolution and dramatic advance is misconceived. Evolution is a process which once begun goes both gradually and in jumps. There is room for tomorrow's act of better coordination and for today's discussion of a more ambitious plan for the day after tomorrow. The process has to be seen as one. Examples are the Community's role in helping to restructure basic industries that are at present in deep economic difficulty, and measures to abolish the remaining effective frontiers to the free movement of goods and services.

We must now look afresh at the case for monetary union because there are new arguments, new needs, and new approaches to be assessed, which go to the heart of our present apparently intractable problems of unemployment, inflation and international financing. There are no less than seven arguments that I would like to put forward for your consideration. The first and the seventh are classical, but none the less valid for that. The remaining five, however, are all practical points that need to be formulated differently from the way in which they were presented in the early nineteen seventies.

Basic to the case is the ineluctable internationalisation of western economic life. This has been a long and gradual process, but one which has been unmatched by a comparable evolution in the economic institutions of the Community. The past four years has shown the limitations in Europe even of good national economic policies. This has been superimposed on the revolutionary effect of the oil crisis - that sharp confirmation of the end of the old international monetary order which added the hazard of a massive overhang of maldistributed and largely uncontrolled international liquidity to an already vulnerable European economy.

No proposition as radical as monetary union in Europe can be achieved at a stroke. My belief is that we should use the period immediately prior to the first direct elections of the European Parliament to re-launch a major public debate on what monetary union has to offer. In doing so, we have to reckon with the problems of how to get from where we are to where we want to go and what must necessarily accompany monetary union if it is to appeal equally to strong and weak economies, to the richer and poorer parts of the Community.

I wish today to outline the major criteria by which the case has to be judged. I expect no easy consensus on the problems it raises, several of which are either at the heart of what is most controversial in modern economic theory, or the most debatable - in the best sense - in political terms. The debate must now be re-opened and subsequently sustained. It will not be quickly foreclosed.

The first argument is that monetary union favours a more efficient and developed rationalisation of industry and commerce than is possible under a Customs Union alone. This argument is as valid now as it has always been, and is reflected in the repeated attempts in European history to form monetary unions - for example the Austro-German monetary union of 1857, the Latin monetary union led by France in 1865, and the Scandinavian union of 1873. Somewhat later sterling operated a different kind of imperial monetary union over large and disparate parts of the globe. But that is history, although relatively recent history. To return to the present day, discussion with businessmen across Europe produces a clear and consistent complaint that it is difficult, almost impossible, to plan a rational European dimension to their enterprises with the present exchange rate risks and inflation uncertainties as between Member States. The same complaint is often heard from those outside who wish to increase their investment in and trade with Europe. This means that the potential benefits of the Community as a common market are far from fully achieved.

The second argument is based on the advantages of creating a major new international currency backed by the economic spread and strength of the Community which would be comparable to that of the United States, were it not for our monetary divisions and differences. The benefits of a European currency, as a joint and alternative pillar of the world monetary system, would be great, and made still more necessary by the current problems of the dollar, with its possible de-stabilizing effects. By such a development the Community would be relieved of many short-run balance of payments preoccupations. It could live through patches of unfavourable trading results with a few points drop in the exchange rate and in relative equanimity. International capital would be more stable because there were fewer exchange risks to play on, and Europe would stand to gain through being the issuer of a world currency. National balance of payments problems, in the sense that these are experienced today by the Community's Member States, would be largely removed as an immediate constraint on economic management. There would still be major financial questions to be resolved, between regions, and between Member States, and to these I will return in a moment; but the essential point is that economic welfare in Europe would be improved substantially if macro-economic policy was not subject to present exchange rate and external financial risks. They hang as a sword of Damocles over the heads of many of our countries in Europe today.

It will rightly be argued at this point that sound financial policies are in any case necessary for all countries and that we cannot escape from the need for certain universal disciplines by relocating the level of certain economic policy powers. I myself advocate prudent financial policies, and indeed was accused in the past as a British Chancellor of the Exchequer of that most terrible of sins - excessive prudence. But this is not an argument counter to my main thesis. The relevant question is what degree of reward will the public receive as a result of wise and even courageous policies on the part of its governments; or, put another way, what will be the penalties inflicted on our people by a largely anonymous international monetary system which amplifies beyond all proportion any ill-fortune of a political or economic nature.

My argument is that it is within our power to change, profoundly and to our advantage, the scale of rewards and retributions administered by the world monetary disorder. We should take it upon ourselves to redesign and restore a large part of that system. In the Community we have the political framework within which a workable alternative could be achieved if we so wish, and if we have the will. The Community is the right size of unit for monetary policy in the particular setting of our high interdependent, closely packed, advanced industrialised societies. At the world level or inter-continental level there is probably no real alternative to floating exchange rates; nor indeed is this system such a bad one in that very different context where the units of economic management are widely separated by distance, or society, or political system, or living standards, or several of these factors together.

My third argument concerns inflation. It is fairly certain that monetary union would radically change the present landscape by leading to a common rate of price movement. But I would also like to argue, although I accept this to be more controversial, that monetary union could help establish a new era of price stability in Europe and achieve a decisive break with the present chronic inflationary disorder. Of course the sources of contemporary inflation are diverse, and prominent among these are what may seem to be essentially domestic and highly political struggles over income distribution. But let us suppose at some stage a currency reform: the issue of a new single currency by a European monetary authority; and adoption by this authority of a determined and relatively independent policy of controlling note issue and bank money creation. The authority would start by adopting target rates of growth of monetary expansion consistent with a new European standard of monetary stability, following the best traditions of our least inflationary Member States. This would of course mean that national governments lost some considerable control over some aspects of macro-economic policy. But governments which do not discipline themselves already find themselves accepting very sharp surveillance from the International Monetary Fund, a body far further away from them and less susceptible to their individual views than is the Community. Furthermore, I must make it clear that my arguments are not addressed to those who would prefer to fail alone rather than succeed together. Attitudes such as theirs inevitably cause deaf ears. I am concerned with those who want to see a successful and strengthened Community, but also expect to be convinced of the practical benefits of any move forward.

We have to remember what is new about the problem of inflation compared with that to which we were accustomed in the fifties and sixties. Floating exchange rates transmit violent and sudden inflationary impulses, which may strike a country at any moment, perhaps just at the time when employers, trade unions and governments may be endeavouring to put or hold together a courageous and delicate stabilisation programme.

Each new impulse ratchets up the inflationary process. The price rise effect on the devaluing country is much more than the price reduction effect on the revaluing currency because wages, and therefore a large part of costs, cannot be reduced in nominal terms.

Exchange rates may rise and fall, but the price level in all recent experience only goes up. The exchange rate problem feeds in turn the psychology of inflation - the high level of inflationary expectations now endemic in many of our own countries, leading to the danger, only recently averted in some Member States, of hyperinflation - that condition in which, almost in the time it takes to walk from bank to shop, the product you planned to buy has become too expensive. Of course, there are conventional responses for trying to contain and reduce the pressures of inflation. But monetary union and reform stands available as the radical treatment for this disease. I do not pretend that the cure could be complete. For example, we would still have to reckon with the inflationary effects of reconciling competing claims on limited resources. The disciplines of monetary union will be more, not less demanding. The change in inflationary behaviour would not have to be greater than that observed in some recent stabilisation policies, but it would have to be permanent. The legitimate needs of the weaker regions would have to be met far more powerfully than is at present the case. I will return to this point in a moment. But the counterpart must be that wages across countries would remain in some kind of reasonable relationship to productivity: here the legitimate concern of the stronger regions and less inflationary states would also have to be met.

The fourth argument concerns employment: no medium term recipe for reducing inflation which does not have a beneficial effect upon employment is now acceptable. Present levels of unemployment are the most damaging and dangerous social ill that confront us. At best they produce self-defeating nationalistic caution and immobilism. At worst they threaten the stability of our social and political systems. We now have six million unemployed in the Community. Many have been surprised at the apparent tolerance of our populations to this level. Typically in our larger Member States the level of one million unemployed long figures as some kind of post-war political barrier. The unthinkable has been surpassed without catastrophe - as yet. But no-one should be so complacent as to suppose that this state of affairs can long persist without doing irreparable damage: to the well-being of the millions of families directly affected by unemployment, to the morale and motivation of a whole generation of young people, to stability and consensus in our societies.

In economic terms, I believe that our unemployment problem is essentially one of demand deficiency stemming from the constraints on our ability to cause a smooth, powerful, sustained ground-swell of demand. I do not accept that Europe's capacity for creating new wealth, providing new employment and stimulating growth in the right direction is at an end.Environmental factors and the energy crisis mean that we have to look at the nature of our growth. In any event we need increased output to pay for the present price of oil and for the replacement or adaptation of industrial processes that were designed for lower energy prices and lower environmental standards.

These structural and monetary problems combine to make present levels of unemployment highly intractable. But they should not be seen as justifying defeatist and misconceived policies which would permanently reduce the economic potential of the European economy: for example excessive reduction in working hours or compulsory retirement at 55.

We also need to view the present economic recession in a longer-term perspective. The extent and persistence of unemployment can no longer be seen as an exceptionally low and long bottom to the business cycle. To restore full employment requires a new impulse on a historic scale. We require a new driving force comparable with the major rejuvenations of the past two hundred years: the industrial revolution itself, the onset of the railway age, the impact of Keynes, the need for post-war reconstruction, the spread of what were previously regarded as middle-class standards to the mass of the population in the industrial countries. I believe that the needs of the Third World have a major part to play here. Two sources of new growth have in the past sometimes come together, the one world-wide, and the other regional.

Can we contemplate the prospect of European monetary union in this context ? I believe that we can and should.

There is already broad agreement on what we need for a fundamental turn in the tide of Europe's employment prospects:

- there has to be confidence in steady and more uniform economic policies favouring investment and expansion;
- there has to be a strengthening of demand with a wide geographical base;
- if inflation is to continue, it must be at a lower and more even rate than Europe has known in recent years;
- we have to ensure that spasmodic, local economic difficulties will not be magnified by exchange rates and capital movements into general crises of confidence.

These four requirements may seem obvious enough. The challenge is how to change radically and for the better the institutional weaknesses that have been hindering our ability to restore high employment in conditions of price stability and a sound external payments position. I believe that monetary union can open perspectives of this kind.

My argument is not that the Community ought to make some new choice on the combination of these three objectives, still less that we should seek to impose a caricature of some country's traditional preference on the rest of the Community. Economists have now spent years tracking the deteriorating inflation - employment relationship and the deteriorating effectiveness of exchange rate changes in the balance of payments process. The decisions now required are political rather than simply economic; and I hope that these would in years ahead come to be recognised by economists as a break-out from their accepted systems and current models. In this process, we need also to discard political argument based on obsolete, inadequate, or irrelevant economic theory: that the objections to European integration are the differing preferences on inflation and unemployment as between Member States, and that floating exchange rates within Europe allow each country to achieve on its own a happily optimal outcome of its own preference. This is not how the world really is, and we all know it.

The fifth argument to which I now turn concerns the regional distribution of employment and economic welfare in Europe. Monetary union will not of itself act as some invisible hand to ensure a smooth regional distribution of the gains from increased economic integration and union. Those who have criticised a purely liberal model of the Community economy, one that aims to establish perfect competition and do no more, have strong arguments on their side.

But the Community of today bears no relation to the laissez-faire caricature of some of its critics. Nor does it correspond to the model I suggest we should now contemplate for a monetary union. All our Member States find themselves obliged to redistribute large sums of public money and to use less strong but more overt regional policy measures to secure a reasonable distribution of national wealth and employment.

In the Community of today, we have a battery of financial instruments, but all of them rather small guns: the Regional and Social Funds, the Coal and Steel Community's financial powers, the European Investment Bank and the Guidance Section of the Agricultural Fund. The Commission has recently made a number of decisions and proposals for the coordination and expansion of these operations. These are worthwhile developments in themselves, and they go in the right direction. But their scale is small in relation both to current needs and to the financial underpinning that would be required to support a full monetary union. This is an example of how short-term practical needs and the demands of a longer-term perspective march alongside each other. There is no contradiction in modern integrated economies.

The flow of public finance between regions performs several essential functions:

- first it improves the infrastructure and promotes industrial investment in the poorer areas;
- second, it evens out cyclical swings in the performance of individual regions;
- third, it assures minimum standards in basic services;
- fourth, it sustains a pattern of regional balance of payments surpluses and deficits which are of a different and larger order of magnitude than those which would cause crises if they existed between countries.

This represents the principal offsetting factor compensating the region or state for its inability to conduct a distinct exchange rate or monetary policy.

Europe must think in terms of the same economic logic. If the Community is to take seriously its declared aim of monetary union - and there are great dangers in having declared aims which are not taken seriously - it is indispensable that an associated system of public finance should also be envisaged. The weak regions of the Community must have a convincing insurance against the fear that monetary union would aggravate their economic difficulties. The strong regions must for their part have a counterpart in terms of more stable, secure and prosperous markets. Their interest in the underpinning of the unity of the market is overwhelming. In the context of the enlarged Community, it should also be made clear that we are here talking of the means whereby we can avoid or reduce excessive movement of people from poorer to richer areas. This could all too easily lead to the further impoverishment of one and the intolerable congestion of the other.

The Community must also take a realistic view of the degree of convergence in economic performance which should be expected before and after the creation of a monetary union. On price performance, monetary union has uncompromising effects. Inter-regional differences in living standards cannot be dealt with so drastically. But we should not be too discouraged. The United States of 50 years ago had a greater degree of regional inequality than the Community has today. 100 years ago it was almost certainly greater still. This analogy should not be pushed too far, but it is nonetheless of considerable interest.

The sixth argument concerns institutional questions, the level at which decisions have to be made, or the degree of decentralisation that we should seek to maintain in the Community. Monetary union would imply a major new authority to manage the exchange rate, external reserves and the main lines of internal monetary policy.

The public finance underpinning of monetary union which I have just described would involve a substantial increase in the transfer of resources through the Community institutions. The question then is: can monetary union be reconciled with the profound pressures that are manifest in almost all our Member States in favour of more, rather than less, decentralised government ? I believe the answer can and should be yes. But this requires us to envisage a very special and original model for the future division of functions between levels of government. This is not a subject that has been considered at all systematically in the Community in the two decades which have passed since the Treaties of Paris and Rome laid down certain sectors of Community competence. Monetary policy can only be decentralised to a very limited degree. But for most policies requiring public expenditure, the reverse is the case. The vast growth of public expenditure in the post-war period, now approaching half of GNP, has emphasised the need for multi-tiered government with various levels according to country: local, regional, state, national, etc. This is a natural and healthy development. It avoids a monolithic concentration of political and economic power and allows for more efficient specialisation by level of government. It also associates people more closely with the decision-making process.

The federal model is clearly only one in a number of possibilities for multi-tiered government. Some support the federal model; others would prefer something confederal; others like neither. I for my part believe that the Community must devise its own arrangements and that these are unlikely to correspond to any existing prototype. We must build Europe upon the basis of our late twentieth century nation states. We must only give to the Community functions which will, beyond reasonable doubt, deliver significantly better results because they are performed at a Community level. We must fashion a Community which gives to each Member State the benefits of results which they cannot achieve alone. We must equally leave to them functions which they can do equally well or better on their own.

I would like to give an example of why Europe should not think in terms of copying existing models. The U.S. Federal Government grew enormously in importance when it pushed the development of the social security system, because the states would not move forward quickly enough, and because some states were notable laggards. By contrast, our national social and welfare services, while neither perfect nor identical, are highly developed and not dissimilar. In most Member States social and welfare expenditure amounts to around 25% of GNP. This is a massive example of how the European model of government has no need to contemplate developing Community expenditure of a traditional federal scale.

I believe that we can indentify those functions which make sense for Europe: those aspects of external relations where inter-continental bargaining power is called for; certain research and development functions which offer economies of scale at the level of 250 million people; policies relating to industrial sectors which have a natural European dimension either because they involve high-level economies of scale as in the case of aerospace or electronics; or because they are closely linked with trade policy, as is the case with industries in trouble with excess capacity like steel, textiles and ship-building; or because the areas involve strategic interests which are indivisible between Member States, as in the case of energy policy. Last we need financial policies that would help support the integration of the European economy , the maintenance of regional balance, and thus the viability of monetary union.

The overall magnitude of budgetary spending at the European level for this type of Community has recently been estimated by a group of independent economists under the chairmanship of Sir Donald McDougall. As against present Community expenditure of the order of 1% of GNP, they estimated that very substantial progress on economic integration could be achieved with the aid of expenditure of 2 to 2.5 % of GNP; they believed that a definitive monetary union might be viable with expenditure of the order of 5 to 7 % GNP. These are of course very large sums of money, which would have to be built up gradually by a transfer of some expenditure from national budgets and not by a superimposition, but they are quite small by the standards of the classic federations where the top tier of government takes 20 to 25 % of GNP.

There is therefore for the Community a new and realistic model for a highly decentralised type of monetary union in which the public procurement of goods and services is primarily in national, regional or other hands. The public finance function of such a Community would be stripped down to a few high-powered types of financial transfer, fulfilling specific tasks in sectors of particular Community concern, and assuring the flow of resources necessary to sustain monetary union. These characteristics also make for a quite small central bureaucracy, which I think we would all consider an advantage.

But the political implications would also be great. We must be frank about this. The relocation of monetary policy to the European level would be as big a political step for the present generation of European leaders as for the last generation in setting up the present Community. But we must face the fundamental question. Do we intend to create a European union or do we not ? Do we, confronted with the inevitable and indeed desirable prospect of enlargement, intend to strengthen and deepen the Community, or do we not ? There would be little point in asking the peoples and governments of Europe to contemplate union, were it not for the fact that real and efficient sovereignty over monetary issues already eludes them to a high and increasing degree. The prospect of monetary union should be seen as part of the process of recovering the substance of sovereign power. At present we tend to cling to its shadow. These arguments do not run against international cooperation, as for example in the OECD and the IMF. On the contrary, we need to improve the functioning of the international economy by a better shaping of its constituent parts. Monetary disunity in Europe is one of the major flaws in the international system as well as in the functioning of our small to medium-sized states.

On the seventh and final argument, I can be quite short since, like the first, it is a traditional one. It is the straight political argument that monetary union stands on offer as a vehicle for European political integration. Jacques Rueff said in 1949 "L'Europe se fera par la monnaie ou ne se fera pas". I would not necessarily be quite so categorical.

It should, however, be clear that the successful creation of a European monetary union would take Europe over a political threshold. It seems equally clear that Europe today is not prepared to pursue the objective of monetary union uniquely for ideological reasons. To move in this direction Europe also needs materially convincing arguments. I have tried to set out some of the economic arguments.

I summarise as follows. We must change the way we have been looking at monetary union. A few years ago we were looking at a mountain top through powerful binoculars. The summit seemed quite close, and a relatively accessible, smooth gradual and short approach was marked out. But then an avalanche occurred and swept away this route. The shock was such that more recently it has even seemed as if we have been looking at the summit with the binoculars both the wrong way round and out of focus.

I believe that a new, more compelling and rewarding but still arduous approach is necessary. We must also change the metaphor. Let us think of a long-jumper. He starts with a rapid succession of steps,lengthens his stride, increases his momentum, and then makes his leap.

The creation of a monetary union would be a leap of this kind. Measures to improve the Customs Union and the free circulation of goods, services and persons are important steps. We look for bigger strides in working out external policies, establishing more democratic and thus accountable institutions, elaborating more coherent industrial and regional policies, and giving our financial instruments the means to keep the whole movement on a balanced course. We have to look before we leap, and know when we are to land. But leap we eventually must.

We must not only do what is best in the circumstances. We must give our people an aim beyond the immediately possible. Politics is not only the art of the possible, but as Jean Monnet said, it is also the art of making possible tomorrow what may seem impossible today.

2. XIXth CONGRESS OF THE WORLD CONFEDERATION OF LABOUR (WCL) AT COQ-SUR-MER, BELGIUM, FROM 17 TO 21 OCTOBER 1977

A. Proceedings

Over 400 delegates from 83 countries in Europe, Africa, Latin America, North America and Asia attended the XIXth congress of the WCL at Coq-sur-mer, Belgium, from 17 to 21 October 1977.

Many guests were present from international (ILO, ICFTU, WFTU) and continental organizations (ETUC, EEC, OATUU, ICATU).

The Secretary, Mr José Gonzalez, presented the progress report covering all WCL activities since the last congress in Evian at the end of 1973.

The report stressed WCL action to back up workers and workers' organizations in their struggle for the recognition of fundamental liberties and rights.

The report was adopted by an overwhelming majority. The policy report on the renewal of world trade unionism was commented on by the Secretary-General, Mr Jean Kulakowski. It is in four parts. The first three parts deal with the rapporteur's proposals for renewal and reorganization in the trade union context and in the light of the resolutions adopted by the WCL congress at Evian.

The report stresses the need to develop solidarity throughout the world trade union movement, so as to achieve the social justice demanded by all the workers of the world. The fourth part deals with the necessary renewal and reorganization of world trade unionism and outlines the task of the trade union movement in view of the new dimensions of the opposition, and in particular the influence of the multinationals.

With reference to the letter and supplementing the Secretary General's report, Mr G. Fonteneau presented a voluminous report describing the trade union action that the WCL should take in response to the new power relationships that have arisen as a result of the existence of multinational companies. In the debate on these reports, the CFDT (France), were at odds with the Netherlands, Swiss and Austrian trade union organizations.

The CFDT stressed the concept of a democratic and self-governing socialist society and considered that the principles underlying the existence of the WCL should be reviewed.

On the contrary, the Netherlands, Swiss and Austrian delegates advocated a reconsideration of certain positions which had been adopted at Evian and which the CFDT wished to amplify.

In the end, there was overwhelming support (118 votes in favour, 22 against, 10 abstentions) for the resolutions to renew world trade unionism and work out common goals with other international trade union organizations so that, in the long term, a reorganization of world trade unionism could be brought about.

The resolution confirmed the line adopted at Evian.

In its analysis of the crisis affecting the trade union movement throughout the world, the WCL defines the role that it intends to play. It is fully prepared to support the ICFTU but considers that the WFTU has a very different outlook on trade union matters depending on whether the Communist party is in power in a country or not. Trade union organizations that had no international affiliation deserve special attention since they have interests in common with the WCL.

Every initiative should be taken to strengthen links with the OAU (Organization of African Unity, set up in 1976), the ICATU (International Confederation of Arab Trade Unions) and the ETUC (European Trade Union Confederation). If there is to be a dynamic renewal and reorganization of trade unionism, the WCL should seek support both in the industrialized countries and in the third world.

The WCL will set up a centre for contacts, exchanges and cooperation to provide an infrastructure conducive to such renewal. In 1978 it will draw up a flexible and selective action programme laying particular stress on respect for human rights, free collective bargaining on all aspects of working conditions, vigorous action vis-à-vis the multinationals and the promotion of a genuinely new international economic order.

As mentioned above, the CFDT was not satisfied and did not consider that the text met the conditions it had laid down for continued affiliation to the WCL (self-governing trade unionism, transformation of the WCL into a trade-union research and coordination centre, elimination of the international trade federations).

Departure of the CFDT from the WCL would not be final until after ratification by a congress.

RESOLUTIONS

On completion of its deliberations, the congress adopted several resolutions: on world trade union renewal; on renewed action against the multinationals;

- on the position of the ILO;
- on the struggle against apartheid;
- on repression in Malta, Cyprus;
- on the situation in Catalunia
- on the Helsinki conference;
- on fundamental rights in Latin America and the violation of rights and liberties in many countries throughout the world.

C. SUMMARY OF THE WCL REPORT ON RENEWED ACTION AGAINST THE MULTINATIONALS

In the introduction, the report describes the multinationals' tendency to concentration and domination and stresses their great mobility as compared to governments and trade unions, which enables them to use the crisis of the capitalist system to restructure the economy to their advantage. The report criticizes the free-trade system which, by ensuring equal treatment for everybody, gives an advantage to the strong and aggravates the inequalities between countries. It also questions whether multinationals are the proper tools for genuine development of industrialized countries and the third world. In 1973, the Evian congress gave priority to the struggle against multinationals and assigned the task to the WCL. The report notes however that the organizations affiliated to the WCL are divided in their views of the multinationals and, consequently, at odds on what action to take. There are two main camps: some consider that multinationals are prone to abuses which must be combatted but that, basically, they are essential for the creation of employment and generally promote well-being. Others believe that multinationals are an expression of the capitalist system, that their effects should be resisted and they should gradually be replaced by other agents of development.

The report outlines strategies at industrial and trade levels and identifies three development phases leading to industrial democracy: (a) awareness of the situation and joint action in the event of local conflict; (b) simultaneous collective bargaining at the various branches in the various countries; (c) international negotiations on working conditions and other major decisions within the company. In this connection, the report concludes that regional, national and international structures (trade and inter-trade) have their place in the common struggle even if their respective roles are determined by the circumstances and the nature of the struggle. Since the activities of the multinationals are not bound by national frameworks, political control has fallen to international governmental organizations. But the report notes that the specialized organizations (IAEA, FAO, GATT, ITU) very seldom make rules contrary to the interests of multinationals.

The code of conduct on multinationals adopted by the OECD in 1976 and the ILO declaration of principle of April 1977 satisfied all the employers' chief requirements. In particular, compliance with such codes is voluntary and not compulsory. The ILO text, by seeking to avoid all discrimination between multinational and national undertakings avoids the basic issue since nothing is specifically directed at the multinationals. In the circumstances, the ILO declaration should not be submitted to the United Nations with the approval of the workers' representatives. The WCL takes the view that no miracle code or harmonious consensus can emerge and bring about the rapid abolition of all multinational abuses.

The WCL still gives preference to action within the United Nations' framework as this seems the best organization to which to refer the question of multinationals. The WCL report considers that gradually the UN should adopt binding measures on all problems connected with multinationals.

The WCL report concludes in favour of reinforcing convergent trade union strategies so that a better balance of power is achieved with the multinationals. The WCL advocates that solidarity should be actively strengthened between workers in the various sectors at local and regional level, that trade union structures able to deal with general matters (health, energy, pollution, employment, migration, transport, housing, etc.) should rapidly be set up, that the trade union presence on government bodies should be intensified and that trade unions should initiate truly international campaigns for trade union liberties and people's rights.

On the international level, the WCL proposes that the renewal of the trade union movement should be based on three types of activities: (a) encouragement of trade union gatherings; (b) creation of a common data bank on multinational companies, using the most modern techniques; (c) the setting of priority objectives for negotiations within the international institutions: for example, multinationals, wherever they are established, must apply the ILO conventions on international labour standards (trade union liberties and rights, collective bargaining, equal pay, employment, workers' representation, holidays, migrant workers).

3. ANNUAL MEETING OF THE ADMINISTRATIVE BOARD OF THE PAUL FINET FOUNDATION

As Mr Vredeling, Vice-President of the Commission and President of the Paul Finet Foundation, was unable to attend the meeting, Mr François Vinck, Honorary Director General for Social Affairs of the Commission of the European Communities, was in the Chair. Mr Raymond Vouel, the Luxembourg Member of the Commission, took part in the deliberations of the Administrative Board.

In his address, Mr Vouel observed that the aims of the Paul Finet Foundation were in line with the fundamental goal of the Communities, namely the creation of a fairer society in which every individual should have the opportunity and means of fully developing all his intellectual and personal faculties.

He next spoke of the difficulties which had to be faced by the Commission in the present economic and structural crisis and the effort which it had made to promote vocational training and re-training, to restructure sectors in difficulties and to relaunch the economy. As regards the recent enlargement of the Community, Mr Vouel said that solutions and mechanisms would have to be found so that past achievements would be safeguarded and positive gains ensured for the Community as a whole in the future.

Mr Vinck then briefly recalled the history of the European Communities since Robert Schuman's appeal on 23 June 1950 which led to Europe becoming step by step a living albeit precarious reality that ensures the continuation of peace.

Now they must forge ahead and Mr Vinck believed that the election to the European Parliament by universal suffrage and the Tindeman's report would both help Europe emerge from present stagnation and move towards economic and political union.

The report presented by Mr Vinck stated that in the 1976/77 school year the Executive Board had met four times to examine 1 423 cases and that 1 002 grants had been issued, totalling Bfrs 8 473 016. Since its institution in 1965, the Foundation had paid over Bfrs 56 million towards the education of children whose fathers' having been employed in an ECSC industry, had died from an accident at work or from an occupational disease.

The first meeting of the Executive Board for the 1977/78 school year was held on the same day.

Of 216 applicants, 189 received grants totalling about Bfrs 1 858 000.

4. THE EUROPEAN TRADE UNION CONFEDERATION AND THE SECOND CONFERENCE ON SECURITY AND COOPERATION IN EUROPE - BELGRADE 1977

The Executive Committee of the European Trade Union Confederation noted with satisfaction that the preparatory work had been completed for the Second Conference on Security and Cooperation in Europe in Belgrade.

As the various States met in Belgrade to assess the application of the final decision of the Helsinki Conference on Security and Cooperation in Europe, the Executive Committee of the ETUC reiterated its concern for the basic freedoms in all the countries of Europe: the freedoms of opinion, expression, movement and association and the freedom to exercise trade union rights.

The Executive Committee of the ETUC upheld the decisions adopted in 1976 at its Second Statutory Congress in London, to the effect that:

" Détente in international relations, in particular in Europe, is essential if peace is to be maintained and consolidated in the world. This implies that security, liberty and independence are assured in all countries and that economic, cultural and political cooperation develops between countries under different systems of government. Such cooperation would be meaningless:

(a) - with due respect for the fundamental human rights;

(b) - with mutual recognition of differences in political concepts and practices;

(c) - without hegemony over one State by another or direct intervention in the affairs of one State by another;

(d) - amid general respect for and application of agreements.

The Congress therefore requests all European Governments to be vigilant and active in implementing the Helsinki agreements in their entirety. "

Now, one year later, the ETUC notes that considerable progress has been made in technological and economic cooperation between the signatory States, but deeply regrets that the fundamental rights, in particular trade union rights and workers' rights, are by no means respected in all European countries.

Consequently, the ETUC Executive Committee pleads that at least the same effort as was made on technological and economic cooperation should be expended to reinforce these fundamental rights and ensure that they are enjoyed by workers throughout Europe. The Executive Committee would reiterate the appeal made at the Second Statutory Congress of the ETUC, to the effect that national confederations should press this point of view on their governments and that all European workers should actively support ETUC positions on such matters.

The ETUC rejects terrorism and violence

In view of the recent alarming increase in terrorist activities and violence, the Executive Committee of the ETUC would stress that security and détente depend on the elimination of this type of activity.

Although in certain circumstances violence may be regarded as an inevitable reaction to a regime that itself rules by terror and violence, and as an extreme weapon to combat such regimes, the Executive Committee of the ETUC emphasizes that the free and democratic trade union movement has always rejected terrorism and violence as political tools.

Such action too often damages the well-being and even threatens the lives of workers or other persons who have no connection with the causes which serve as pretexts for terrorists.

Moreover, terrorist acts carried out in our countries are mainly aimed at the destruction of democratic regimes and their replacement by regimes which have been categorically rejected by the great majority of workers. Given the international dimensions of the various terrorist organizations, the ETUC Executive Committee considers that the European states should collaborate closely to deal with this problem.

The ETUC also appeals urgently to its affiliated confederations that they should urge their governments to press for effective cooperation at UN level to combat this evil.

5. MEETING OF THE EXECUTIVE BOARD OF THE EUROPEAN METALWORKERS' FEDERATION IN THE COMMUNITY, HELD IN BRUSSELS ON 8 AND 9 NOVEMBER 1977

At its meeting on 8 and 9 November 1977 in Brussels, the Executive Committee of the European Metalworkers' Federation (EMF), approved a common platform for trade union claims on behalf of metalworkers in the European motor vehicle industry, to provide guidelines for affiliated bodies engaging in collective bargaining and calling for new legislative measures in their respective countries.

The main claims affecting jobs and working conditions relate to the following: job security and shorter working hours; improved organization and content of work; protection of workers' health; trade union activities in factories. This platform is the result of extensive studies carried out by the EMF and the IMF (International Metalworkers' Federation) on working conditions in the European motor vehicle industry.

The EMF Executive Committee has also adopted a position on the European computer industry and its application in factories and offices, demanding that priority be given to job security and that effective and specific control of computerization be ensured by Community action. The EMF drew attention to technical advances in computers which could mean their introduction throughout industry and society, affecting all aspects of people's social and private lives. There was a real danger of total control and permanent supervision being exercised over workers' productivity and personal behaviour on the job. For this reason the EMF calls on the European Communities to issue a directive ensuring the best possible protection for workers and citizens against the abuse or shortcomings of computerized systems.

The Executive Committee also discussed the conclusions reached at previous meetings dealing with the construction of nuclear power stations in Europe, the structural crisis in the European shipbuilding industry, reorganization in the aerospace industry, and the specific problems of companies producing railway plant and related equipment. On the basis of these discussions, the EMF will shortly adopt positions and put forward its proposals and claims.

The Executive Committee also took note of an interim report on multinational companies in Europe. It includes the new and many-faceted IMF action programme on multinationals, the ETUC action programme, which is primarily addressed to legislators, the results of an EEC Commission study on about 7 000 multinationals, the nine EEC Foreign Ministers' code of conduct for European companies with affiliates, branches or representations in South Africa and an EMF working paper on specific strategies to ensure more effective control of multinational companies.

The Executive Committee heard reports on recent congresses, including those of the TUC in the United Kingdom, IG Metall in Germany and Svenska Metall in Sweden. The Spanish Delegation presented a report on the trade-union elections in Spain, a report on the political and social scene was presented by the Secretary-General, as was a report on strikes and protests by workers in Israel.

The Executive Committee adopted a provisional schedule of meetings for 1978, which included about 15 working sessions of all types, with one meeting to formulate claims and common aims in response to the platforms adopted by political parties in preparation for direct elections to the European Parliament. The EMF Philips Working Party would meet before the end of the year. A meeting would be convened on working conditions in the aeronautics industry in Europe and the Collective Bargaining Committee would hold a meeting to discuss the difficult collective negotiations which were due to take place in 12 European countries in late 1977 and early 1978.