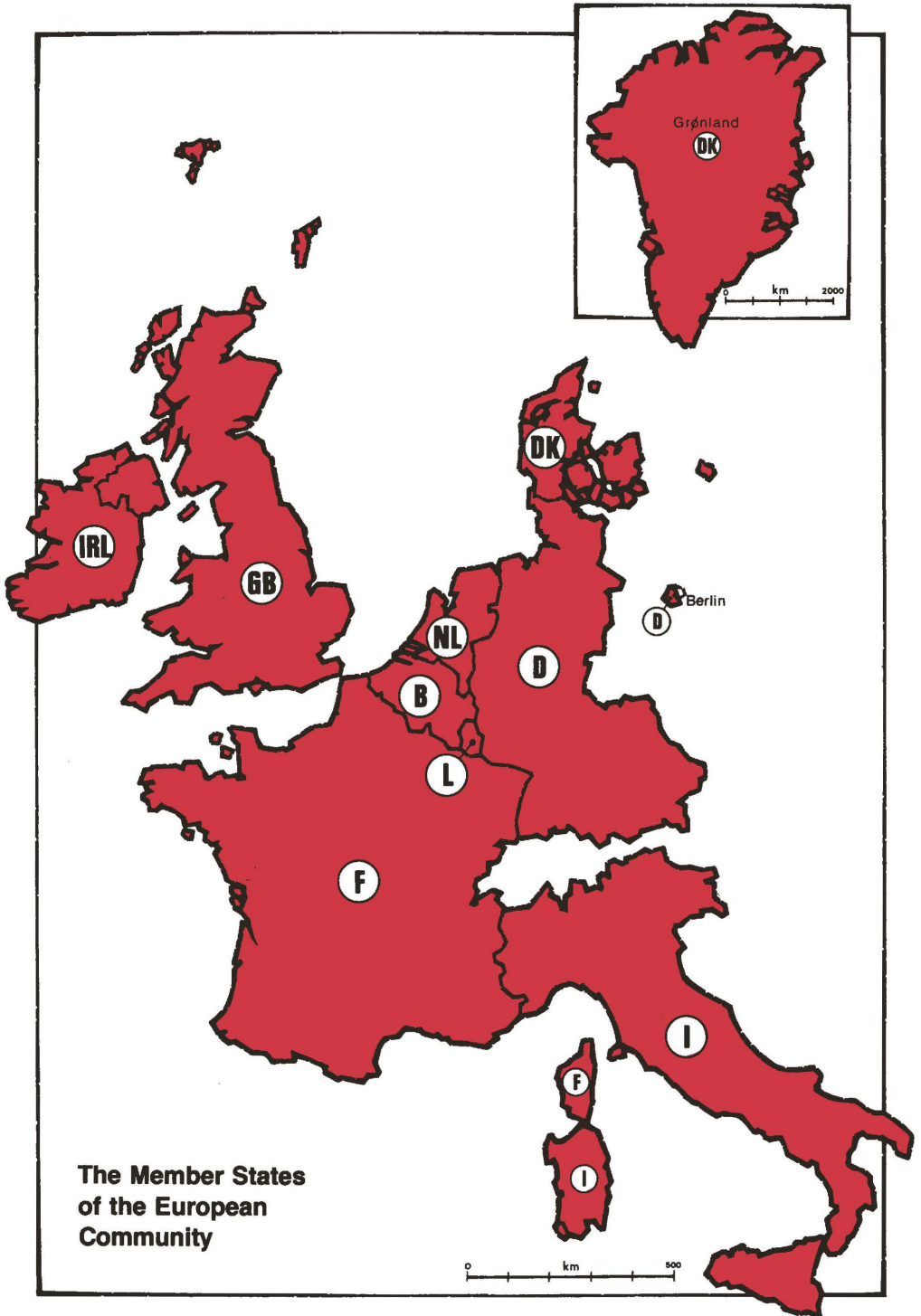


# THE EUROPEAN COMMUNITY

## TODAY AND TOMORROW







# Foreword

by Roy Jenkins,  
President of the Commission of the European  
Community

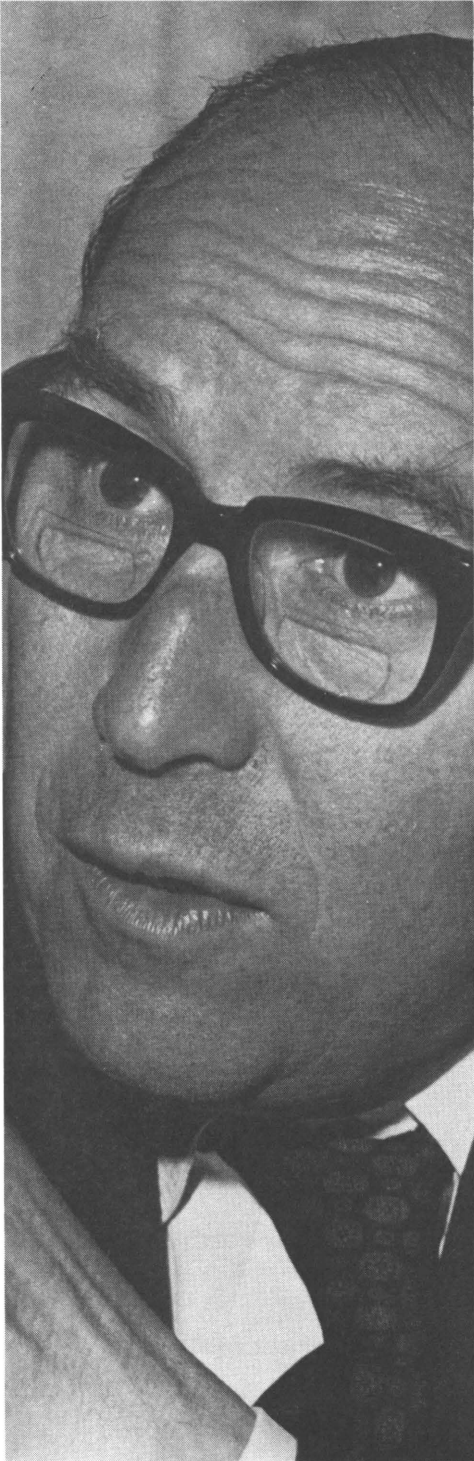
The European Community is now more than 25 years old. During these 25 years an increasing range of decisions – of vital importance to the livelihood and well-being of ordinary men and women in all nine Community countries – has been taken at Community level. But so far the ordinary men and women of the Community have been able to influence these decisions only indirectly through the votes they cast for national parliaments in elections fought on national issues.

The decision to hold direct elections for the European Parliament on 7 to 10 June 1979 marks an important change. For the first time the citizens of Europe will be directly represented by a European Parliament elected, I hope, on fully European issues. If this is to be so, the electors should be fully informed about how the Community works and the issues the Community faces. That is where this booklet can contribute. It is therefore designed to inform and explain – to give a brief outline of the origins and development of the Community; to explain how its decisions are taken and how its institutions work; and to set out the problems which are now before it. These are the problems which will face a directly elected Parliament.

It is for those who fight the elections and those who vote for them to determine how the issues facing the Community should be resolved. I hope this booklet will help them to decide what these issues are.



Roy Jenkins.



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# *Why we need a European Community*

Twenty-five years ago, when the European Community was born, Europe had just emerged, demoralized and divided, from the crippling experience of a world war for the second time in 30 years. The first of these had been 'the war to end all wars'. After the second, it was clear to the leaders of Europe that a continent composed of nation States in constant danger of bloody conflict contained the seeds of its own destruction.

The legacy of these two wars, and of the confrontation politics practised in between, was a Europe sapped of economic energy and organization, a Europe whose dominant political and economic role in the world had been eroded, a Europe whose moral authority had wilted in the barren ground of its own battlefields.

There were, then, both political and economic reasons for the bold and imaginative experiment that began in 1952 as the European Coal and Steel Community (ECSC) in which six neighbouring European States – Belgium, France, Germany, Italy, Luxembourg and the Netherlands – agreed to pool the sinews of war, coal and steel, under the control of a single independent authority.

The subsequent two decades were a period of almost unprecedented economic growth and political stability for Europe. The growing Community both helped foster, and then derived benefit from, this improved climate

which, by 1958, enabled the original Six to broaden their cooperation in other areas by forming the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). In 1973, three new Member States – Denmark, Ireland and the United Kingdom – joined the Community.

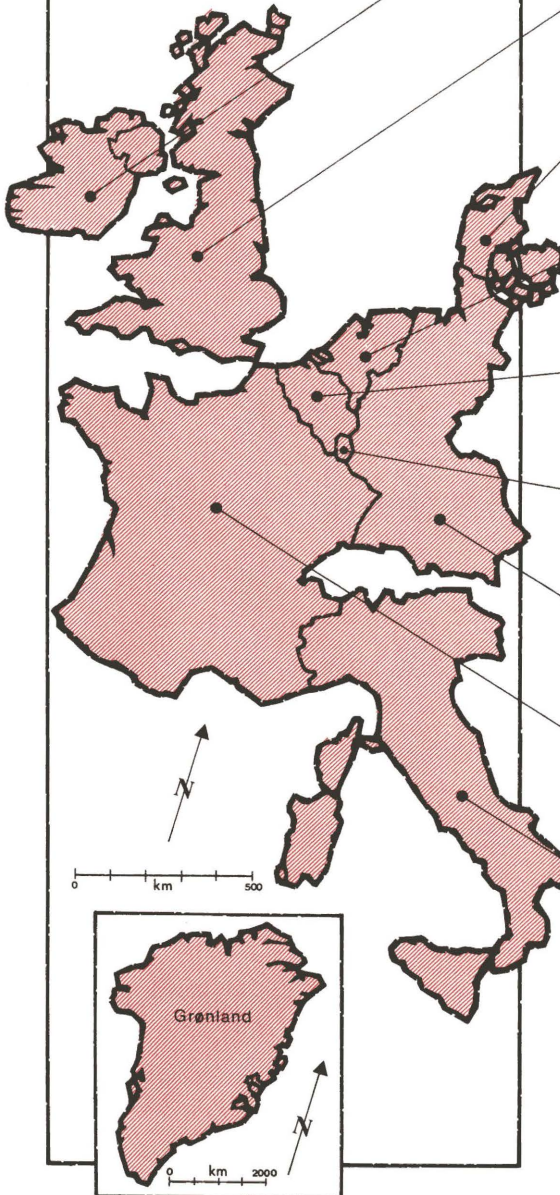
By then, however, the world economic climate was about to change. The enlargement of the Community to nine Member States coincided with the oil and raw material crises whose long-term consequences cannot even now be accurately gauged. What we do know is that the world economic balance has shifted more in favour of those countries which possess two of the mainstays of our economic livelihood, namely energy sources and raw materials. Europe is short of both and the era of low-cost economic growth for a privileged part of the globe, the industrialized countries, is over.

The Community's current internal problems – monetary instability, inflation and unemployment – originated in this tidal wave of international economic uncertainty. The solutions, therefore, depend on the developed and developing countries devising a mutually-acceptable formula for their future relations. This should enable the industrialized countries to return to a degree of growth without which the whole world economy will stagnate. At the same time the developing countries must be ensured a reasonable income that will enable them to develop their economies and bridge the prosperity gap which at present separates them from the industrialized world.

Today, no individual European country has the size, strength or stature to exercise a decisive influence on its own. The European Community, on the other hand, which has a population of 258 million, which is the world's largest trading unit and the world's biggest single source of aid to the developing countries, can and does have a significant role to play.



**Area, Population, Density per sq. kilometre and estimated Population Growth**



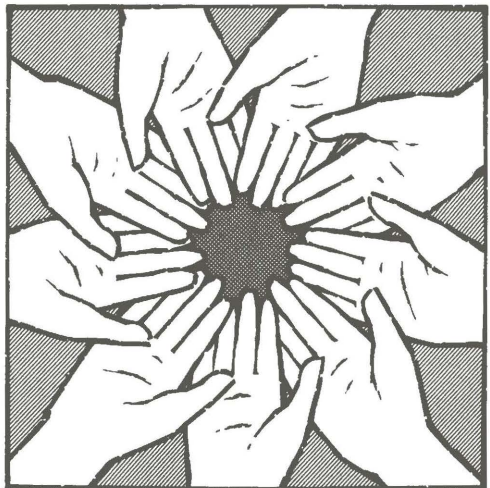
| Country       | Area '000 sq km | Density per sq km | Population (Mill.) |                |                |
|---------------|-----------------|-------------------|--------------------|----------------|----------------|
|               |                 |                   | Middle 1975        | Projected 1980 | Projected 1985 |
| <b>(IRL)</b>  | 70.3            | 44                | 3.13               | 3.30           | 3.51           |
| <b>(GB)</b>   | 244.0           | 230               | 56.04              | 56.16          | 56.93          |
| <b>(DK)</b>   | 43.1            | 117               | 5.06               | 5.14           | 5.20           |
| <b>(NL)</b>   | 41.2            | 332               | 13.67              | 14.14          | 14.56          |
| <b>(B)</b>    | 30.5            | 21                | 9.80               | 9.84           | 9.81           |
| <b>(L)</b>    | 2.6             | 139               | 0.36               | 0.36           | 0.37           |
| <b>(D)</b>    | 248.6           | 249               | 61.83              | 61.04          | 60.27          |
| <b>(F)</b>    | 547.0           | 96                | 52.75              | 54.27          | 55.87          |
| <b>(I)</b>    | 301.3           | 165               | 55.83              | 57.12          | 58.23          |
| <b>EUR 9</b>  | 1 528,6         | 169               | 258,46             | 261,38         | 264,75         |
| <b>USSR</b>   | 22 402,0        | 11                | 254,38             | 267,46         | 280,89         |
| <b>USA</b>    | 9 363,1         | 23                | 213,61             | 222,77         | 234,07         |
| <b>Canada</b> | 9 976,1         | 2                 | 22,83              | 24,61          | 26,54          |
| <b>Japan</b>  | 370,0           | 301               | 111,46             | 118,01         | 123,31         |
| <b>World</b>  | 135 897,0       | 29                | 3968,0             | 4326,0         | 4769,0         |

This is why we need the Community today. In a period of prosperity it provided the economic framework within which its Member States could take full advantage of a generation of expansion and growth. Now, in a period of difficulty, it can, because of its size, inherent economic strength and internal cohesion, face up to problems which its Member States cannot solve alone. In addition, because the Nine's economies have become increasingly interdependent, the response to common problems is to be found at a Community rather than a national level.

Despite its current difficulties, it is significant that other European countries regard Community membership as the key to their economic and political futures. Greece, Portugal and Spain all want to join at an early date. Meeting its responsibilities towards these countries will be one of the major challenges confronting the Community in the coming years. The basic requirement for Community membership is for an aspirant State to be a European democracy. The three current applicants have recently and courageously re-established democracy and the Community is fully aware of its responsibility to support and consolidate their achievements by admitting them to membership. However, it cannot be overlooked that enlargement poses institutional and particularly economic problems. A balance must therefore be struck between satisfying the legitimate aspirations of these countries and ensuring that enlargement does not dilute the Community's achievements or deprive it of its dynamism. A weakened Community would be in no-one's interests.

The other immediate issue of vital importance to the Community is the forthcoming first direct elections to the European Parliament. Until now, its members have been nominated by the national parliaments but this is not acceptable in a Community which affects a considerable part of the daily lives of its citizens. They have a right to demand a more direct say in how their Community is run and this can best be achieved if they can directly elect their own representatives. The people already have some control over Community affairs through their national parliaments, but a strong Euro-

pean Parliament supported by their votes offers them an opportunity to extend it. Once the citizens of Europe feel that they have that wider control they will become far more involved in the development of Community policy and will, in turn, contribute to it their interest and support. Direct elections will give 180 million Europeans their chance to have a more active say in decisions which affect their future. It is through the full exercise of their democratic rights that the Community's citizens can play their part in shaping its future development towards the ultimate goal of a European union.





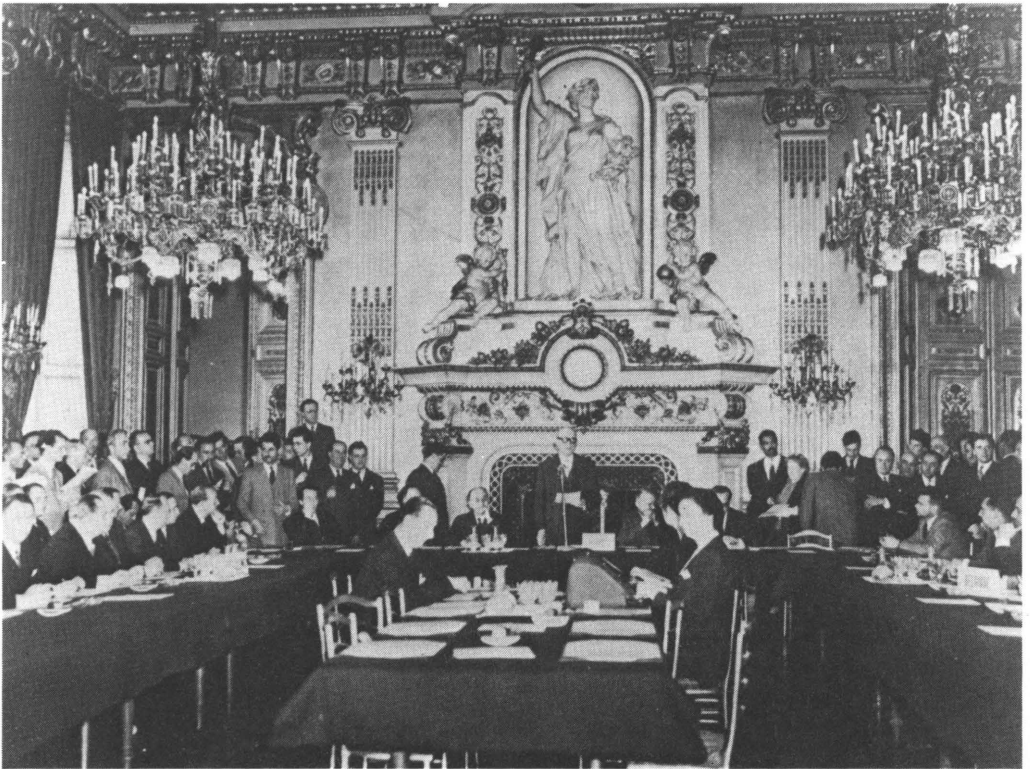
# A Generation of Growth

The ideal of a united Europe has been with us for a long time in one form or another. A radically new approach was, however, proposed in 1950 when the then French Foreign Minister, Robert Schuman, advocated the pooling of French and German coal and steel under a single independent authority. The key to the concept was a truly independent High Authority which had the power to levy a tax on coal and steel production, to act directly on many matters and to propose action on others to a Council of Ministers representing the six signatory States.

The European Coal and Steel Community was established by the Treaty of Paris in 1951 and came into operation the following year. It was so successful that trade in these products between the six Member States increased by 129 % in the first five years. An attempt to establish a European Defence Community had to be abandoned but in 1957 the Six decided it would be both possible and desirable to extend their integration to other sectors of their economies. They therefore signed two Treaties in Rome in 1957 establishing a European Atomic Energy Community (Euratom) and a European Economic Community (EEC).

Euratom was set up to further the joint development between the Six of nuclear energy for peaceful purposes. The EEC Treaty aims

On 9 May 1950, in the Salon de l'Horloge of the Quai d'Orsay in Paris, M. Robert Schuman, the French Foreign Minister, in the presence of the world's press, makes a declaration on behalf of his government which opened the path towards European political integration.



were far more comprehensive and broadly-based, namely, to bring about the gradual integration of the economies of the Six and to promote an ever-closer union of their peoples. The ultimate goal is the creation of a European union, though in what form this will be realized has not yet been clearly defined and is the subject of a continuing debate.

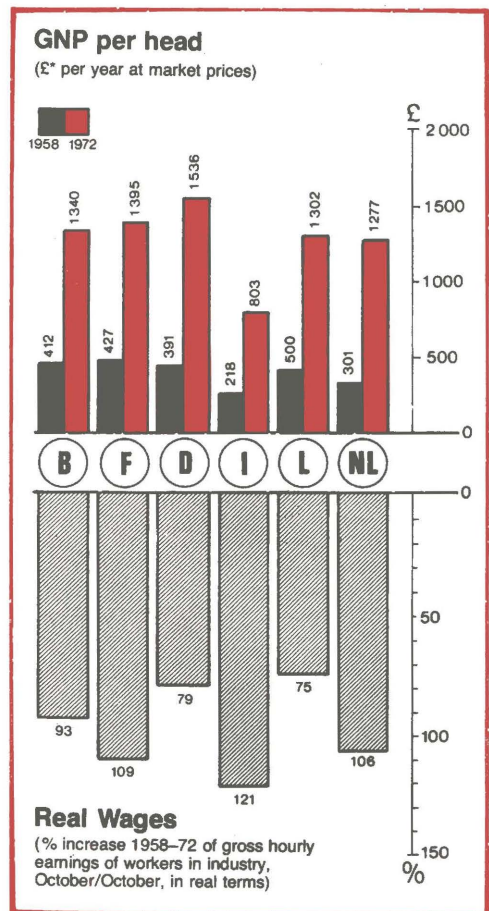
The Treaty of Rome establishing the EEC is a unique and ambitious document. Its uniqueness lies in its attempt to set out in considerable detail, and in legally-binding form, a process of integration between six sovereign States. It is ambitious in that it is not concerned with traditional measures to promote closer links between States such as trade agreements but provides for the integration of their economies through the creation of a customs union. It also provides for common policies in a number of areas, extends to the social field and confirms its signatories' obligations towards the developing countries. However, because it had the task of reconciling the diverse priorities and preoccupations of six States which had enjoyed national sovereignty, either in isolation from, or occasionally in conflict with one another for a long time, it accepted that its ambitious objectives could only be attained progressively.

In many cases the expectations of the Treaty's signatories have been realized, even exceeded; in others progress has been slow and disappointing. The aims of the Treaty remain as valid today as they were in 1957 and still provide the framework which will enable Europe to move forward in the coming decades.

That progress was smoother in the early days of the Community is undeniable. The Community was born, weaned and approached its maturity in an environment of world economic expansion which owed a good deal to the availability of cheap, plentiful and secure supplies of oil and raw materials. Since its enlargement to nine Member States in 1973 the Community has had to adjust itself to a changed world of uncertain economic power balances. The quadrupling of oil prices in particular dealt a severe blow to the Community's

economic fabric, giving rise to balance of payments problems, inflation and unemployment.

Before examining how the Community is tackling these problems, let us look briefly at some of its achievements in the last 20 years.



Monetary amounts throughout this booklet have been converted from various currency units into sterling. In some cases where figures cover periods of fluctuating exchange rates the conversion is as accurate as possible.

## The four freedoms

The primary aim of the Treaties was to get rid of the economic barriers that divided Member States as the first step towards closer political unity. This meant assuring within the territory of the Community four freedoms essential for the creation of a common market. These four freedoms involve goods, people, services and capital. How much freer is their movement after 20 years?



### Goods

Barriers that have existed for centuries cannot be removed overnight. As we have seen, the original Coal and Steel Community began the process by creating a common market for those two products and for iron-ore and scrap. The EEC used a similar model to create the wider customs union. It set itself a 12-year deadline for the removal of all tariff barriers to trade. In fact, expectations were exceeded and the target was reached 18 months early in mid-1968. At the same time, the original Six gradually adopted a common external tariff so that by 1968 the customs union had a common

external frontier with no internal tariff frontiers. The transitional stage for the three new Member States before they became fully integrated into the customs union ended in July 1977. Quantitative restrictions were removed by the Six even earlier – in 1961. The three new Member States did so by 1975.

The Community's early progress was spectacular in its results. The original Six increased trade between them from 1958, when the EEC was set up, until 1972, just prior to the enlargement of the Community, from £ 2 428 million to £ 24 400 million. Their trade with their Community partners as a percentage of their total trade increased from 27 % to 52 %. In the same period the Community's gross national product increased, in real terms, by 90 % compared with increases of 42 % in the United Kingdom and 61 % in the United States.

Since enlargement at the beginning of 1973, trade between the Nine has increased from almost £ 36 billion to more than £ 52 billion in 1976.

This success story is only one side of the coin. There are many more obstacles to be overcome before the free movement of goods can be said to exist in the true sense. We still have customs officers at every airport, seaport, rail and road frontier, because of technical and fiscal barriers.

Differing technical regulations have proved to be one of the main obstacles to freer trade within the Community. Whether commercial goods are subjected to customs duties or not, they cannot be brought from one Member State to another if they do not match up to national standards of packaging, labelling, safety and so on. The only way the Community can overcome this is to examine products singly or in groups and work out minimum standards that are acceptable to all.

At the same time, the approximation of these technical standards is intended only to free trade. Manufacturers of products with a distinctive local character do not have to conform to anything other than the standards imposed by their own national legislation. It is only if



they want to enter the export market that they may have to meet Community standards which are designed to permit the free circulation of goods. There is no intention of introducing monstrosities such as Eurobread or Eurobeer.

The advantage to the manufacturer of this approximation of standards is that he does not have to make a different product for each country; the resulting simplification makes his production more efficient. The advantage of this for the consumer is that, because a product can be made in bulk and not in nine separate production runs requiring, perhaps, different tooling, it can be sold more cheaply. Eventually it is hoped that a 'European guarantee' for all goods can be introduced which would be honoured anywhere in the Community.

Differences in indirect taxation can also affect trade. All Member States now operate the VAT system, but far from uniformly. A uniform VAT basis from a percentage of whose value the Community is due to derive part of its revenue from 1979 onwards was agreed in 1977 but actual VAT rates still have to be brought more closely into line. The Community is also aiming to make other indirect taxes and excise duties more comparable, though not uniform.

The elimination of tariff barriers, quantitative restrictions, technical obstacles and different indirect taxation systems is one of the aims of the Treaty. Another aim, more easy to achieve once such barriers have been eliminated, is the establishment throughout the Community of a system that ensures that competition is not restricted. The aim of its competition laws is to prevent large firms abusing a dominant position in the market or to prevent firms from forming cartels by means of which they can rig prices or restrict distribution, after-sales service and so on. Certain mergers can also be banned if they endanger competition. This is not only in the interests of other smaller manufacturers who might be squeezed out of business but of consumers who would otherwise not be able to shop around and would have to pay higher prices.

Free competition is not just a matter of making sure that firms observe the rules. Manufac-

turers, and consumers, can suffer from discriminatory State aids, advantages accorded to State undertakings or from State monopolies.

In the case of State aids, for example, the Treaty holds to the principle that aids which affect trade and competition are incompatible with the common market. However, exceptions can be made to this principle in the case of certain categories of aid which are fairly widely defined (such as aids in favour of certain regions or activities).

Public ownership as such is not contrary to Treaty rules. However, State monopolies of a commercial character are banned and since 1962 the Commission has succeeded in eliminating most of the 18 which existed at that time. There has thus been a considerable improvement in the situation but the work still has to be completed. The Community is also opening up the market in public works and public supply contracts.



## People

While the free movement of goods is important, it is equally vital that citizens of the Community should be able to move about freely, whether they are travelling purely for pleasure or whether they want to move from one Community country to another to work.

While it is still all too frequent, particularly at peak holiday periods, to encounter long queues at customs posts, these are a far less familiar sight than they used to be and are certainly the exception rather than the rule. The existence of the Community has had a lot to do with cutting through red tape at frontiers. Some ports, for example, now have a special passport point for Community citizens. Their passports are rarely stamped at Community frontier points and the creation of a common format for the Member States' passports should facilitate even quicker checking. However, security problems in the last few years have made it impossible to do away with frontier checks altogether. A second advantage for travellers is that they can now bring home more duty-free goods – currently £ 50 worth – from a visit to another Community country and there is a proposal to increase the allowance even further to £ 80.

However, if all Community citizens are to be treated equally, they must be allowed not only to travel freely to another Member State but also to remain there and work. They must be entitled to operate across frontiers; in other words, to live in one country and offer their services in another. In addition, workers who move from one Member State to another must have the same job security as workers native to their host country, and they must enjoy equal social security benefits. It has been possible since 1969 for a Community citizen to take up a wage-earning job in any Community country and to carry his social security and similar benefits with him.

In addition, he or she cannot be paid less for being a foreigner or, for the same reason, be made redundant in times of recession before workers native to the host country.





Several million Community citizens now work in Member States other than their own and the Community operates a European Coordination Office with the national employment services to match job offers throughout the Community with applications. This mobility has also been considerably facilitated by reforms which enable employed migrant workers and their families to benefit from social security protection in their adopted country. There is currently a proposal before the Council to extend this protection to self-employed workers and their families.



### Services

While it is one thing for a building worker or a farmhand to slot easily into the workforce in another country, it is quite another matter in areas where precise academic or professional qualifications are demanded. Thus, it was not until the beginning of 1977 that doctors had the right to set up practice anywhere in the Community. This followed long discussions about the recognition of their diplomas. From March 1979, the Community's 125 000 lawyers will be free to provide their services, though not to set up a practice. From July of the same year nurses will be entitled to practise throughout the Community. Now that this precedent has been established, steps are being taken to extend the same facility to architects, dentists and midwives. Other professions will follow but the process could be a lengthy one. The creation of such a freedom is not only of benefit to the professions concerned but also to their clients whose freedom of choice is widened.

Professional people are, of course, not all self-employed. Therefore, not only they but the firms they work for must be free to offer their services anywhere in the Community and establish themselves. So far, Community legislation has removed such restrictions from a wide variety of undertakings, among them aspects of insurance, banking, real estate, farming and land purchase.

A further area of liberalization is the field of company law, which we will examine later.



### Capital

Money and capital have no patriotic inhibitions. Therefore, it was anticipated in the early stages of the Community that it would prove quicker and easier to remove restrictions on the movement of capital than it would on those of goods, people and services. Experience, however, has proved otherwise. While restrictions on nationals of one Member State investing in another have been removed, certain Member States do not permit their nationals to invest abroad.

On a somewhat smaller scale, individuals going abroad will have had experience of having their wallets or handbags checked to see how much of their own currency they are taking with them. Even if you are carrying foreign currency you often have to fill in forms specifying the amount so that you can bring back what you have not spent. As long as national governments, particularly those in the weaker currency areas, continue to fear a flight of capital, this barrier to free movement will be difficult to overcome. Not the least of the potential advantages opened up by the achievement of one of the Community's aims, the creation of an economic and monetary union, would be the psychological impact on citizens in their daily lives of the elimination of restrictions of this kind.



# The Community's Institutions

The Community has four institutions, each of which has its own civil service.

**The Commission** is responsible for proposing Community policies. Its 13 members – 2 each from France, Germany, Italy and the United Kingdom, and 1 each from the other Member States – act independently of the nine national governments in the Community interest. It is answerable to the European Parliament, and to the Parliament alone.

**The Council of Ministers** decides major Community policy which the Commission then implements. It has one representative from each Member State and the Ministers who attend its meetings vary depending on the subject under discussion, i.e. Agriculture Ministers deal with agriculture, Transport Ministers with transport and so on. The Council of Ministers of Foreign Affairs, apart from dealing with foreign policy and general Community affairs, acts as a coordinator.

**The European Parliament** is consulted by both the Commission and the Council of Ministers on all important matters. It can dismiss the Commission and it has considerable budgetary powers. The Parliament's 198 members are at present nominated by the nine national parliaments but soon it will have 410 members who will be returned in the Community's first direct elections.

**The Court of Justice** has nine judges, one from each Member State, who ensure that policy proposals and policy implementation are in line with Community law. This derives from the Paris and Rome Treaties out of which the Community grew, and also from judgments of

the Court itself. In fulfilling this function it has made a major contribution to Community integration. It is superior to national courts in matters of Community law.

Both the Commission and the Council can issue:

- **Regulations** which automatically become Community law;
- **Directives** which are binding on Member States as to the ends but not the means;
- **Decisions** which are binding on those to whom they are addressed (Member States, enterprises or individuals);
- **Recommendations and Opinions** which are not binding.

The Commission, Council and Parliament have signed a joint declaration in which they solemnly undertake to respect fundamental rights in exercising their powers and in pursuing the aims of the Community.

## Decision-making

The **Commission's** role is to see that provisions of the Treaties are carried out by making policy proposals to the Council of Ministers. It acts as a mediator between the governments on Community matters, working independently of them to guide them towards agreement in the common interest. The Commission has extensive decision-making powers of its own. In exercising these it acts partly as a legislator and partly as an executive. Finally, it acts as watchdog to ensure that Community rules are correctly implemented and observed.

Before it submits a proposal to the Council the Commission may consult national experts and interest groups. Many interest groups such as industry, trade unions, farmers and consumers are organized at Community level and have offices in Brussels to represent their interests.

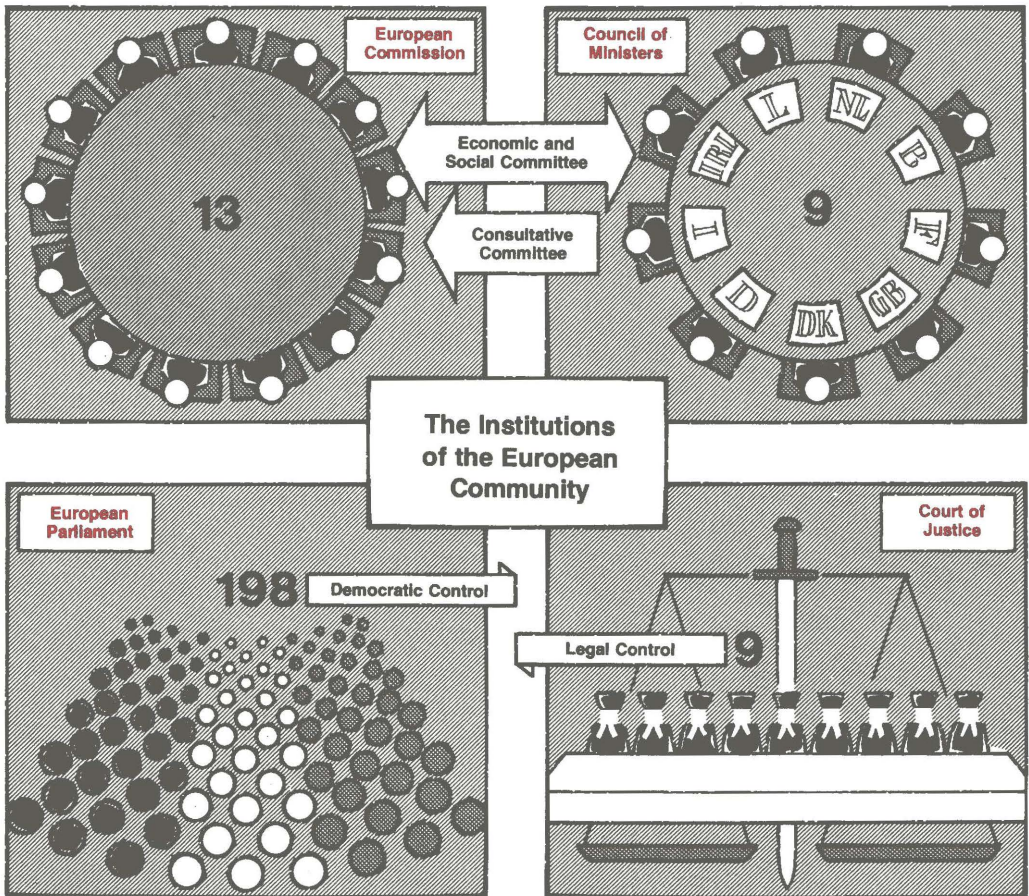


**The Council of Ministers** is the Community's principal decision-making body. Except in a very few cases it acts on the basis of a proposal from the Commission, which ensures the latter an important policy-making role. When it receives a proposal it usually sends it to the European Parliament for an opinion. It can also send it to the Economic and Social Committee (ESC) representing special interest groups. On many matters, such consultation is obligatory.

The Commission takes part in all Council meetings and defends its proposals. As an independent body acting strictly in the Community interest it plays an important role along with

the Council president as mediator in the proceedings.

Council decisions can be taken by qualified majority in a large number of cases. Votes are weighted in such a way that the interest of the smaller Member States are protected. France, Germany, Italy and the United Kingdom each have 10 votes, Belgium and the Netherlands 5, Denmark and Ireland 3 and Luxembourg 2. Of the 58 votes, 41 are required for a majority. In practice, majority voting is the exception and unanimity tends to be the rule, particularly on important political issues. However, greater efforts have been made recently to make more use of majority voting and the Council has shown itself to be aware of the dangers to the effectiveness of the decision-making process

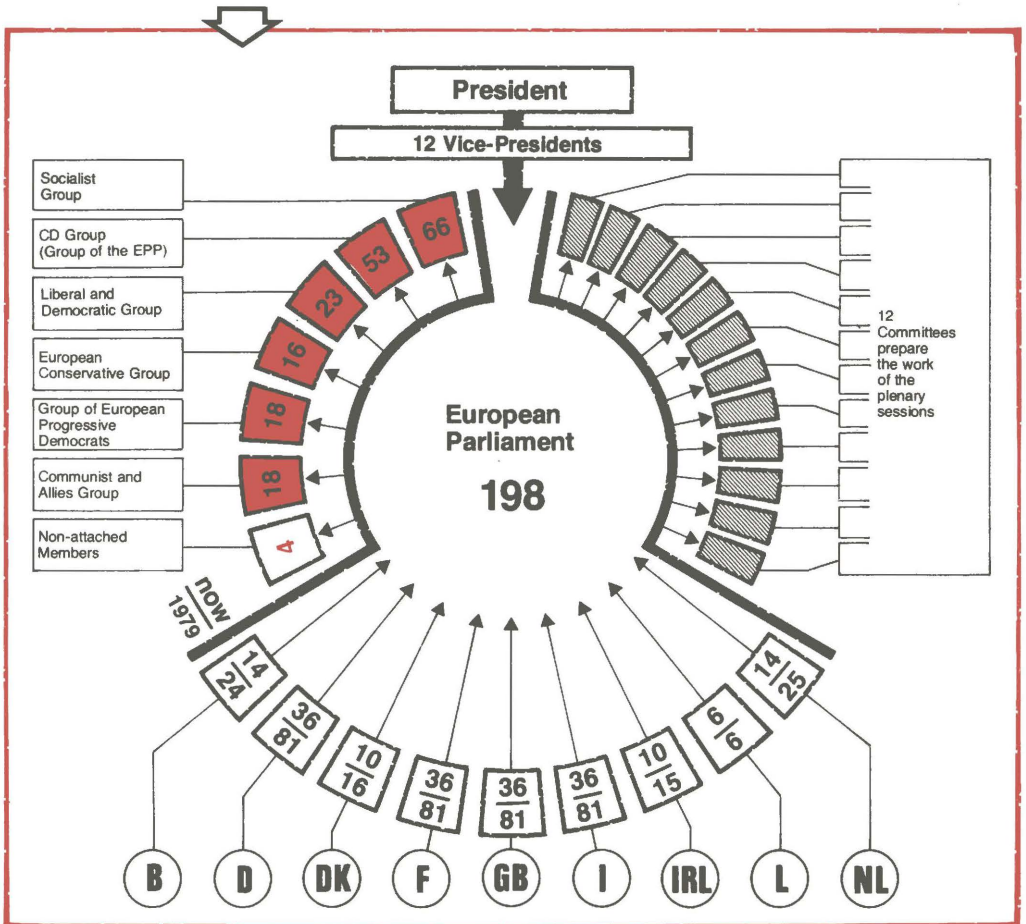


through over-insistence on the unanimity principle. Certainly, in a Community of Twelve this will need to be reviewed.

of the work-load and travelling involved, this so-called 'dual mandate' may be difficult to operate.

The nine Heads of State or Government have, since 1975, met three times a year in the **European Council** which replaced the occasional summits.

As in the existing Parliament, members will sit in the chamber not according to nationality but according to political persuasion. At present, there are six groups – Socialists, Christian-



**The European Parliament** will be directly elected for the first time in June, 1979. Its membership will increase from 198 seats to 410.

Democratic, Liberal and Democratic, European Conservatives, European Progressive Democrats and Communists and Allies. For the first direct elections, European political parties are planning to campaign on common platforms. So far three groups have been formed – the Confederation of Socialist Parties of the European Community, the Christian-

Members of the new Parliament will be elected for five years and may also hold a seat in their own national parliaments. However, because



Democratic Group (Group of the European People's Party), and the Federation of Liberal and Democratic Parties of the Community. Between them they represent about three-quarters of the membership of the present Parliament.

The Parliament meets once a month in public in Luxembourg or Strasbourg. It also has 12 standing committees which meet in private and draw up reports for the plenary sessions on Commission proposals submitted to the Parliament.

Since most important Community law is made by the Council of Ministers on the basis of Commission proposals, the Parliament does not have legislative powers in the same way as national parliaments. Nevertheless, except in cases involving day-to-day management, such as agriculture, very few texts can be adopted without the Parliament's opinion first having been sought. This will carry more authority once the Parliament is directly elected.

The Parliament has the right to make alterations to certain aspects of the Community's budget. It also adopts the budget and gives the discharge to the Commission for its implementation. Through what is known as the concertation procedure, it takes an active part with the Council and Commission in the adoption of general Community legislation which has appreciable financial implications. The Parliament may also put written and oral questions to the Commission and Council.

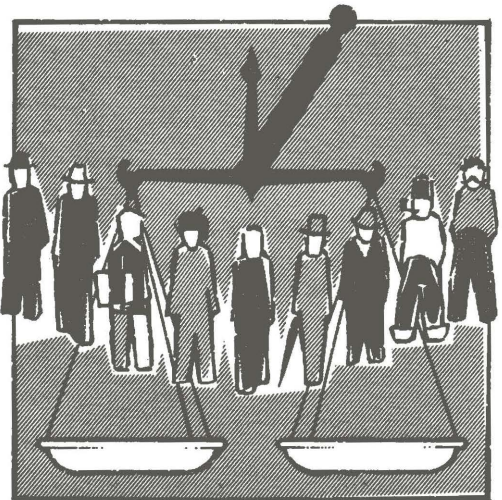
The Commission is responsible to the Parliament and if the latter is dissatisfied with its conduct of business it can dismiss it. In such a case, the motion of censure must be carried by two-thirds of the votes cast which represent a majority of the Parliament's members. In the past 20 years, a number of censure motions have been proposed, most of them quite recently. While such a motion has not yet been passed it is, nevertheless, a weapon which the Parliament can use at any time.

## The Court of Justice

The Court is the final arbiter of Community law. It deals with disputes between Member States,

between Member States and Community institutions, between Community institutions themselves, between the institutions and enterprises and individuals, or between the institutions and their officials, either individually or collectively. Finally, national courts faced with a question of Community law can ask the Court of Justice for a preliminary ruling. Such a request is obligatory where the national court is the final court of appeal in its particular Member State.

The Court also has an advisory function. It may be asked to deliver opinions on external agreements which the Community plans to conclude with States or international organizations. These opinions are binding.

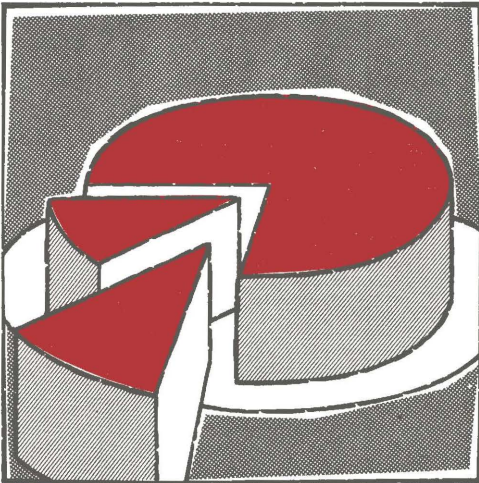


**The Economic and Social Committee** mentioned earlier is a consultative body of 144 members representing employers and unions, as well as special interest groups such as consumers and farmers. It assists the Commission and Council on EEC and Euratom matters. For ECSC matters the Commission is assisted by a **Consultative Committee** composed of representatives of producers, workers, consumers and dealers in the coal and steel sector. Both of these committees enable a broad spectrum of interested parties to be actively associated with the development of the Community.



# The Community's Budget

The original European Coal and Steel Community, through its production levy, enjoyed financial autonomy from the start. The Treaty of Rome provided for the European Economic Community to be financed initially by direct contributions from each Member State on the basis of agreed percentages, but it envisaged that the Community would eventually have its own resources.



Two of these came into operation following a Council decision in 1970. They are the agricultural levies and customs duties on imports into the Community – of which 10% is reimbursed to Member States for collection expenses. Any shortfall between the yield from these levies and duties – to which the Community has automatic right – and Community expenditure has been made up by contributions from each of the Member States, based on their percentage share of the Community's GNP. By 1975

these contributions should have been replaced by a part of VAT (up to a maximum of 1% of an agreed assessment basis) but this was delayed because the Council did not agree on a definition of a uniform basis in the form of the Sixth VAT Directive until May 1977. This directive must be ratified and implemented by all Member States to enable the budget to be financed entirely by own resources from 1979 onwards. The size of the budget is decided by the Council and the Parliament on the basis of the Commission's estimates of its needs and those of the other institutions.

The total budget for 1978 is £ 7 607 million commitment appropriations and £ 7 683 million payment appropriations<sup>1</sup>. The biggest item, as always, is agriculture expenditure, just over £ 5 580 million of the total. The rest of the money covers the social and regional sectors, research, energy, industry, transport and development cooperation, information, administration, staff salaries, aids and subsidies and reimbursements to Member States. Because of the flexibility of the budget financing system, whereby any shortfall is met, revenue always matches expenditure so that the Community can balance its budget.

A variety of financial means exists to help ensure the more balanced economic development of the Community. These instruments, which will be examined later in more detail, include grants from the Social and Regional Funds, European Coal and Steel Community loans, grants and price support payments from the European Agricultural Guidance and Guarantee Fund, loans from the European Investment Bank, loans to help Member States with balance of payments problems and special loans for the restructuring of industry. Greater efforts are being made to coordinate these funds in order to increase their effectiveness, and particularly their regional impact.

<sup>1</sup> Commitment appropriations cover, for the current financial year, the total cost of the legal obligations entered into for activities whose implementation extends over a number of years. Payment appropriations cover expenditure arising from commitments entered into in the current financial year and/or preceding financial years.

The Community budget may appear large but it is pygmy-sized compared with the Member States' own budgets. For example, the 1978 budget is only twice the size of the Irish national budget and only half the size of Belgium's. It represents only 0.8 % of the Community's GDP, while Member States' budgets represent, on average, 40 % of their GDP.

## The Parliament's Powers

The size of the budget is decided by the Council and the Parliament on the basis of the Commission's estimates of its needs and of those of the other institutions. It is the Parliament which adopts the budget in its final form. The Parliament has considerable powers over the size of the budget and its implementation. The extent of these depends on whether a particular item of expenditure is obligatory or non-obligatory.

Obligatory expenditure results necessarily from the Treaty or from acts adopted in accordance with the Treaty. Thus, for instance, agricultural expenditure is obligatory because it follows from the Treaty and arises automatically from the annual price review. During the budget procedure the Parliament can propose modifications to this type of expenditure. Where the modification has the effect of increasing the total amount of expenditure the Council may accept or reject it. About five-sixths of the 1978 budget is obligatory.

On the other hand, Parliament has the final say, subject to certain defined limits, on non-obligatory expenditure. While this represents only one-sixth of the budget it is a politically significant section and covers headings that have a bearing on the future development of the Community such as social and regional policies, energy, industry and transport. The Parliament's room for manoeuvre is calculated each year. In 1978 it was able to add £ 84 million to the commitment appropriations and £ 62 million to the payment appropriations.

The Parliament's budgetary Control Subcommittee, in conjunction with the newly-es-

tablished Court of Auditors, exercises continuous supervision over how Community funds are spent.



## The Court of Auditors

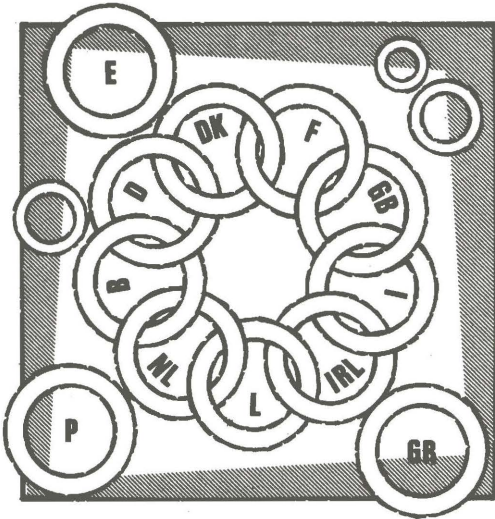
In 1977 this new Community institution was set up. It is responsible for checking expenditure of money voted in the budget and has taken over from an Audit Board which had less power to investigate. The Court has nine members, one from each country.





# The Community Today

In its earlier years the Community benefited from favourable economic conditions. But since 1973 it has had to deal with the consequences of a world recession. Its first concern has been to safeguard what has already been achieved, and in particular to prevent dislocation of the common market itself. But it is also seeking Community solutions to the new problems with which its members are confronted, and to strengthen the Community as an instrument to deal with these problems. At the same time it is preparing for its second enlargement.



A successful enlargement presupposes not just a healthy Community but a dynamic one. In recent years, largely because of external forces, the Community lost some of its momentum. A major casualty of the monetary fluctuations and inflation which resulted was progress towards economic and monetary union which is not only the key to restoring stability but also the dynamic factor required to

launch the Community on a new stage of its development. If the Community cannot once again move forward it is in danger of stagnating or, worse still, of drifting along without purpose.

The two most pressing headaches currently afflicting the Community, inflation and unemployment, have fed off the uncertain environment which a sound economic and monetary union could go a long way to cure. Stable exchange rates would, for one thing, create a greater confidence among investors and employers and encourage them to expand their activities and their work-forces. However, some short-term solutions must be found and the Community is tackling these twin evils in full consultation with the social partners.

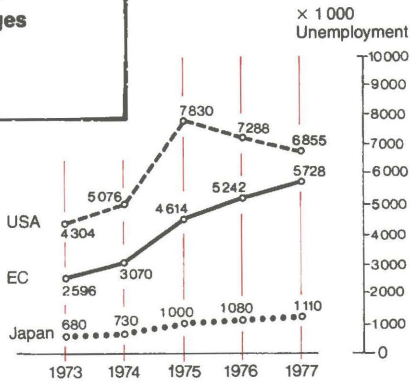
Particular attention is being paid to declining industries like steel, textiles and shipbuilding. The Community can help by negotiating international agreements that give these industries breathing-space in which to restructure themselves with the assistance of Community finance. It can also use its influence to help bring about a more stable energy supply situation.

One of the main Community achievements to date has been its common agricultural policy which, in a world of potential food shortage has for a decade assured stable food supplies at reasonable prices and provided an adequate living for farmers. However, a constant effort is required to ensure a fair balance between the interests of farmers and consumers. Pressures on the CAP in the light of the forthcoming enlargement of the Community must also be taken into account. A satisfactory internal fishing regime to complement the Community's policy towards third countries based on a 200-mile limit must also be established.

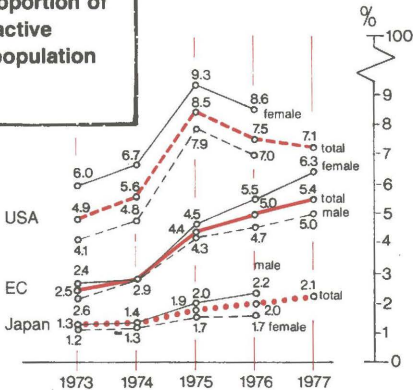
The Community, together with its Member States, must continue its efforts to bridge the prosperity gap not only between different income groups but also between different regions. The Community has to arrest the drift from its underdeveloped areas into the already-overcrowded areas at its geographical centre. A substantial transfer of resources to peripheral regions and a significant increase

# Unemployment

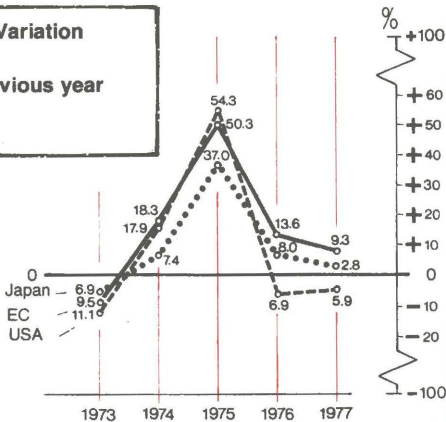
## Annual Averages



## As proportion of total active civil population (%)



## % Variation on previous year

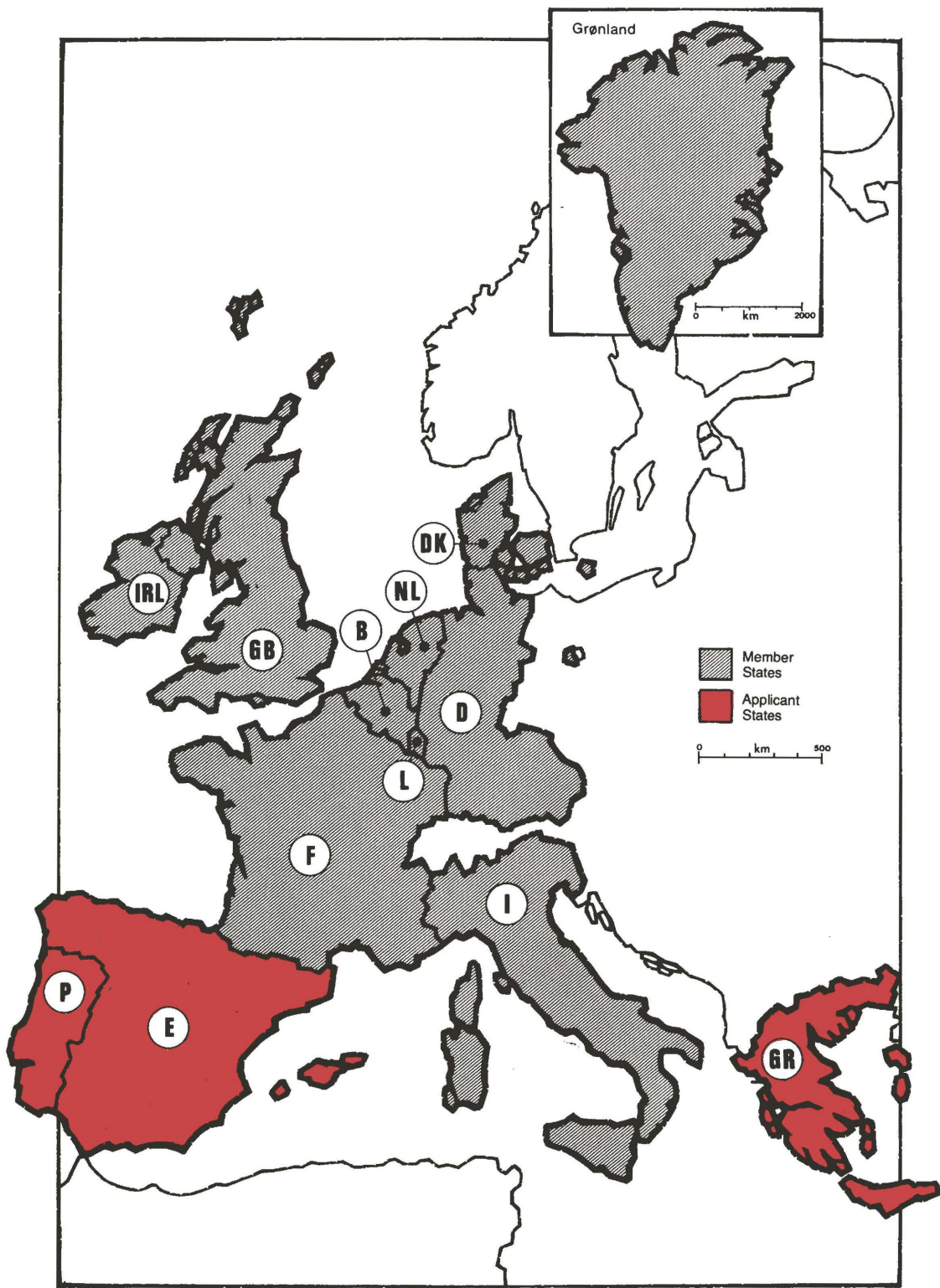


in the funds available for Community social spending could assist this process.

In the international field, the Community currently has three major tasks. The first is the successful conclusion of the Tokyo Round of multilateral trade negotiations being conducted under the auspices of GATT, which are a test for the resilience of the liberal world trading policy on which the Community depends. The second task is to participate in negotiations for the creation of a new world economic order that can restore stability in dealings between the industrialized and developing countries. In this regard, the Community can give an example to its industrialized partners in its forthcoming negotiations to extend the Lomé Convention it signed in 1975 with 46 countries (now 53) in Africa, the Caribbean and the Pacific.

The third is the need mentioned above to reach a satisfactory arrangement with the oil-exporting countries and with producer countries in industrial sectors facing difficulties which will help restore more balanced growth in the Community.

It is against this background that the direct elections to the European Parliament will be held. Through their participation in these elections, and through their subsequent interest in the work of the Parliament, the Community's citizens can influence the way in which these problems are tackled.





# Building a Strong Economy

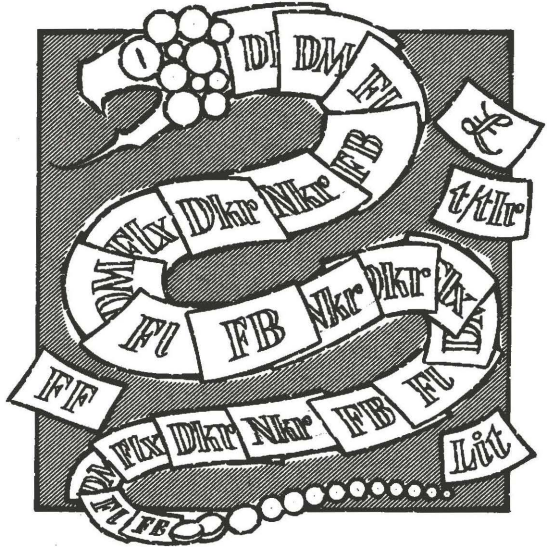
## Economic and Monetary Union

One of the principal goals of the Community is the creation of an economic and monetary union (EMU).

Some progress towards this has been made since 1969. There has been general agreement among the Member States on the coordination of short-term economic policies. The Community has machinery for this purpose, including an Economic Policy Committee, and the Commission regularly proposes policy guidelines which are adopted by the Council. The governors of the nine central banks meet regularly and there is a Monetary Committee which, like the Economic Policy Committee, is made up of Commission and Member States' representatives.

There are also mechanisms of financial solidarity. There is a £ 3 billion reserve pool to give short-term monetary aid to Member States in balance-of-payment difficulties. In addition, a fund totalling £ 2.8 billion exists to give medium-term financial support. Another £ 1.5 billion borrowing and loan mechanism was established in 1976 to help countries with balance-of-payments difficulties as a result of the oil crisis. The European Council recently agreed in principle to a Commission proposal for a Community loan facility to finance investments in energy, infrastructure and industry. This facility is designed to act as a catalyst for new investment that could help to solve unemployment. The Commission has asked the Council to approve a ceiling of £ 620 million.

A system, known as 'the Snake', whereby Member States agreed to maintain fixed but adjustable parities between their currencies was set up in 1972. However, the currency chaos caused by the dollar crisis, together with uneven economic well-being in the different Member States soon took its toll and first the United Kingdom and Ireland, followed by Italy and later by France, left the Snake. At present, the other five Member States remain members, together with Norway.



Now, however, the Commission has relaunched the Community towards the target of EMU. This is a very important step. In the Commission's view, progress towards economic and monetary union can make a decisive contribution to the achievement of the common national objectives of stability, growth and employment. It would strengthen the integration of the Community at a time when the prospect of further enlargement is taking shape. Its achievement would be a decisive factor in restoring order within the international monetary system. It is a recipe for action in bad times as well as good.

The Commission recently obtained the Council's approval for a programme which encourages greater economic coordination between Member States and a reduction of exchange rate fluctuations, the completion of the com-

mon market through the elimination of remaining fiscal and technical barriers, and the development of policies to deal with structural and social problems in the Community.

Firstly, to ensure that the Nine's economies develop on a more convergent path means there must be greater coordination of short-term economic policies; there must be more cohesion between currencies; and certain Community resources, particularly in the regional, industrial and energy areas, must be increased.

Secondly, more progress needs to be made in establishing a single market. This includes more tax harmonization and the freer movement of goods, services and capital.

Thirdly, there must be a coordinated approach to the restructuring of industry especially in sectors such as steel, textiles and shipbuilding, as well as investment in growth industries. This restructuring must be backed up by investment in the social field.

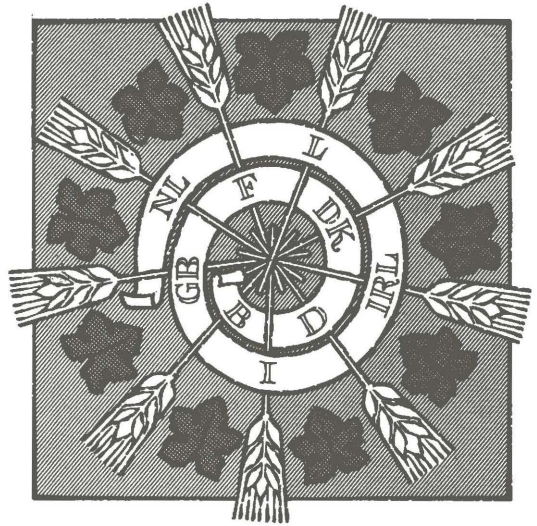
If substantial progress can be made on these three fronts the Community would be ready to make a qualitative leap forward to take it towards a more ambitious union, including a single Community currency.



## Agriculture

Agriculture is the sector in which the greatest degree of integration so far has been achieved and a great many decisions affecting the sector are now made at Community level. The common decision-making and management has given the Community a degree of agricultural price and supply stability that is crucial in a world of potential food shortages and constant price fluctuations.

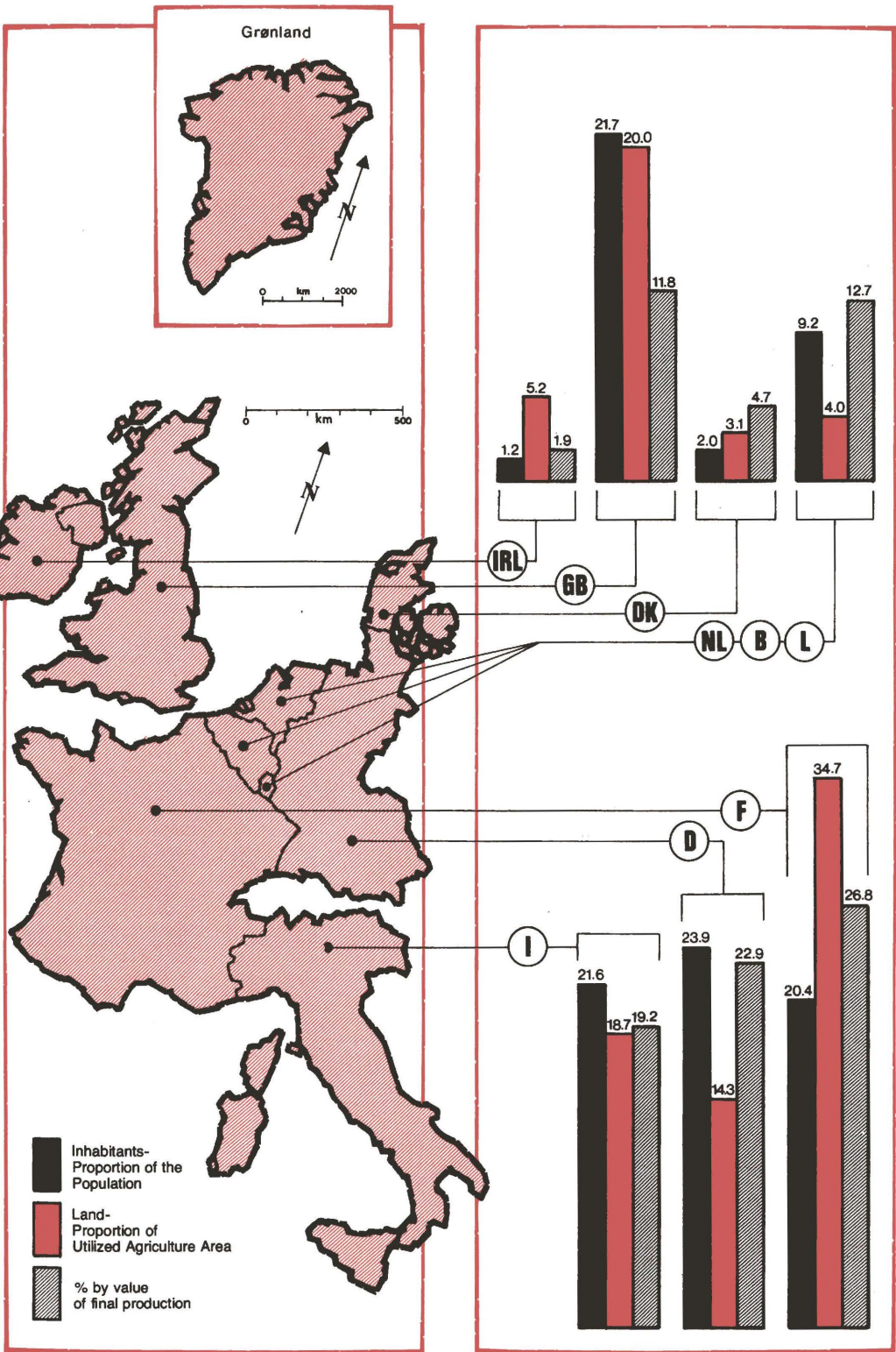
This degree of integration was not achieved without difficulty. The common agricultural policy (CAP) devised by the original Six had to strike a balance between farmers in the south who, for climatic reasons, concentrated on crops like fruit and vegetables, oil and wine, and those in the north who made their livelihood from beef, dairy produce or grain. They also had to contend with the existence of a vast array of distinct national measures used to support agriculture, different currencies and different health and veterinary regulations. The accession of the United Kingdom added a further dimension – and new problems – to the efforts to strike a fair balance between the demands of farmers and consumers.



The basic aims of the CAP are to ensure the security of food supplies at stable and reasonable prices to the consumer, to make farming more efficient by boosting productivity, thereby improving farmers' incomes and bringing them more into line with those in other sectors, and assuring a more national economic balance in general. The two main aspects of the CAP are its markets policy and its structural policy.









## *Markets policy*

Once a year the Council fixes a target or guide price for the coming 12 months for the main products. This is the price at which they are expected to sell on the open market. However, this is not always reached and a second level, the intervention price, is also established for certain products in order to put a floor in the market. If products are offered for sale to the intervention agency it is obliged to purchase them at the intervention price for storage or subsequent re-sale.

The markets policy also covers most agricultural imports and exports. On the imports side, a threshold price is fixed for each product and it cannot normally be imported at a price lower than that. Where the price at the frontier is below the threshold price, an import levy is charged to bring it up to the level of the threshold price. This makes sure that food supplies do not enter the Community at prices that would dislocate domestic agricultural production. On the exports side, the mechanism works in two ways, depending on whether Community prices are above or below world prices. If they are above, an export refund can be paid to exporters who want to sell abroad, the size of the refund being set to bridge the gap between the Community price and the world price. If they are below, a levy can be charged on exports to prevent too much food being exported, thus ensuring that Community consumers do not face shortages.

## *Structural policy*

Providing farmers with a reasonable income is one way of ensuring that enough food is grown. Another is to make farming more efficient. As well as boosting production, efficient farming increases farmers' profits and at the same time keeps down prices to the consumer.

The Guidance Section of the Farm Fund provides money for the structural reform of agriculture.

Within the Community a very large number of farmers do not enjoy an income and living conditions comparable to those of workers in other jobs. This situation is due to certain structural problems, such as the relatively small size of farms, poor soils or the relatively advanced age of the farmers themselves.

The Community's socio-structural policy aims at providing equitable solutions to these problems. The essence of this policy is:

- ▶ to inform the farm population of genuine solutions to these problems and to provide them with the training necessary to achieve these solutions, whether within agriculture or outside it;
- ▶ to encourage farmers through financial incentives to leave farming, either through early retirement or to take up another occupation, and to allocate their land to other farmers;
- ▶ to help farmers who have the necessary vocational skill and competence to undertake farm development by offering them financial aid for the investments needed to modernize their farms.

In addition, the socio-structural policy also provides for the granting of a special system of aids to farmers who live in the less-favoured regions of the Community as a compensation for the natural handicaps they have to contend with. These aids are designed to ensure the continuation of farming, thereby maintaining a minimum population level and conserving the countryside in such regions.

The structural policy also aims at modernizing and improving the efficiency of the processing and distributing sectors. This helps ensure that the greatest possible use is made of the food the farmers produce and that it reaches the shops at the lowest possible cost.

## *Results of the CAP*

In a world where food shortages are an ever-present fear, the CAP, through providing a guarantee of reasonable prices to farmers and boosting productivity through modernization, has ensured security of supply at stable prices. This does not mean that the Community, which is the world's largest producer of food, has cut itself off from world trade in agriculture. It regularly imports more than it exports, particularly from the developing countries.

Since the CAP came into operation, food prices in the Community have fluctuated less than they have elsewhere. Some critics of the policy say that this has been achieved at a cost of keeping prices higher than world prices but some premium must be paid for such a reliable insurance policy. In recent years the Commission and Council have been following a policy of prudent price increases which has contributed to the fight against inflation.

How has the CAP contributed to more efficient farming? Productivity has increased enormously even though the farming population has been falling. Between 1960 and 1970, for example, production increased by 88 %, compared with 66 % in industry, although the percentage of the civilian labour force engaged in agriculture fell from 17 %, to 10.5 % in the same period.

Higher productivity has, in some cases, led to surpluses, but these are difficult to avoid, while guaranteeing that enough food is produced. For example, a good summer which increases dairying production by 1 % can produce a milk powder surplus of 100 000 tonnes. Adverse weather conditions can, on the other hand, result in a shortage.

A certain amount of surplus produce is made available at subsidized prices to old-age pensioners and the needy. Other Community consumers are given priority in the disposal of some surplus at subsidized prices and, finally, further amounts are disposed of through exports to third countries at prices below the Community level.

One of the Community's biggest tasks is ensuring that both farming and consumer interests are adequately catered for in the operation of the CAP. In this the CAP is no different from any other agricultural policy. However, it has become more of an issue since the enlargement of the Community in 1973 and the accession of the United Kingdom with less than 3 % of its population engaged in agriculture, compared with, for example, 24 % in Ireland and 15 % in Italy.

While the Community works constantly to strike the proper balance, the biggest problem it faces at the moment in its operation of the CAP has nothing to do with problems of production or consumption but stems from the international currency crisis. Devaluations and revaluations in the wake of the 1971 crisis brought distortions in agricultural trade within the Community and disrupted the common price system with its fixed parities. A system of monetary compensatory amounts (MCAs) was introduced to protect agriculture and food prices from the immediate impact of currency changes.

This system was intended to be a temporary measure but it has now been in operation for seven years, distorting competition and upsetting the common price system.

Despite difficulties encountered in its operation in recent years, the CAP remains sound in principle. While it absorbs a disproportionate part of the Community's budget, its intrinsic cost is small. Its weekly cost to each Community citizen works out at less than the price of a glass of beer or a loaf of bread, which is very cheap insurance to guarantee against food shortages and to stabilize prices in a very uncertain world market situation. Put another way, it represents only 0.4 % of the Community's GDP and only 2 % of total expenditure on food. In addition, the CAP budget relieves the Member States of a considerable degree of agricultural expenditure which would otherwise appear in their own budgets.





## Fisheries

Since the original European Coal and Steel Community was established the range of Community responsibility and activity has been steadily expanding. In some cases this has been as a direct result of the Treaties, in others a response to circumstances.

When the preservation of the world's dwindling fish stocks became a major issue in the early 1970s the nine Member States realized that fishing policy had assumed truly global dimensions and that neither individual action on their part nor the application of the Community's existing limited common fisheries policy were adequate to cope with the new circumstances.

The need for a more comprehensive fisheries policy has had important consequences for the development of the Community's foreign policy because of the need for solidarity in dealings with third countries. Externally, the Member States responded to the new circumstances by speaking with one voice in their dealings with third countries and it was the Community as such which participated as a single unit in the Law of the Sea Conference which brought together all countries with an interest in fishing. Unfortunately, the conference did not produce the expected results and a number of countries announced their intention

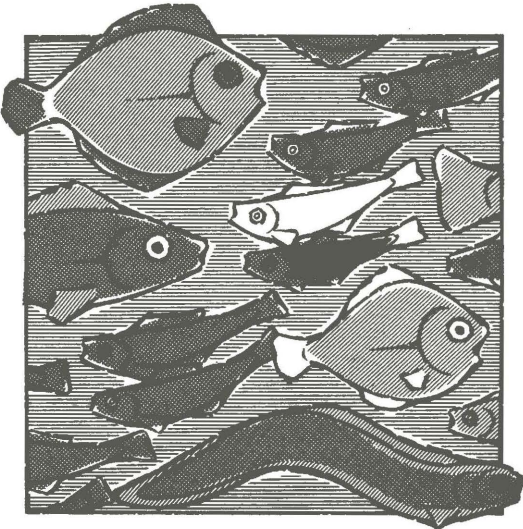
to declare 200-mile fishing limits. In order to protect its fishermen the Community did likewise on 1 January 1977.

At the same time, it opened negotiations on reciprocal rights with a number of third countries which had an interest in fishing in Community waters. The Community has fixed temporary catch quotas for some of these countries and issues a limited number of licences for third-country vessels.

Among the countries with which negotiations were conducted was the Soviet Union which has refused to recognize the Community but which on this occasion negotiated with the Commission acting on behalf of the Community. Thus, on the external side, the Community's concerted action has had important implications for its integration and has contributed to its identity as a single unit speaking with one voice on the world scene.

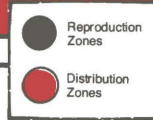
On the internal side, there was a clear need, once a 'Community pond' had been delineated within a 200-mile limit, for common management of fish stocks. Fish do not stay in the same place and must be considered a common resource. The Commission has drawn up a set of proposals aimed at reducing fishing activity in order to avoid the disappearance of threatened fish species and to replenish those that are being overfished. Common management is designed to protect the long-term future of the Community's fishing industry on which 700 000 people depend for a livelihood.

The Commission has proposed that there should be a 12-mile zone around Member States' shores reserved for coastal fishermen, who make up four-fifths of the total, and with limited access between six and 12 miles for Member States' fishermen who have traditionally fished in that area; the amount fished would be determined by the need for conservation. Beyond the 12-mile zone, quotas should be allocated in accordance with the need for conservation, historical performance and the economic and social situation of the fishing industry in the coastal State. Community financial assistance for restructuring the fishing industry has also been proposed.





It has been difficult for an agreement to be reached on these proposals. This is because of the vastly divergent and traditional interests of the individual Member States. Some are more dependent on fishing than others, some are more dependent on their own coastal waters, some on distant waters. Fish stocks and eating habits also vary. Negotiations are, however, continuing, and in the meantime certain interim measures for the conservation and management of fishery resources, particularly herring, are in force.



## *The Industrial Dilemma*

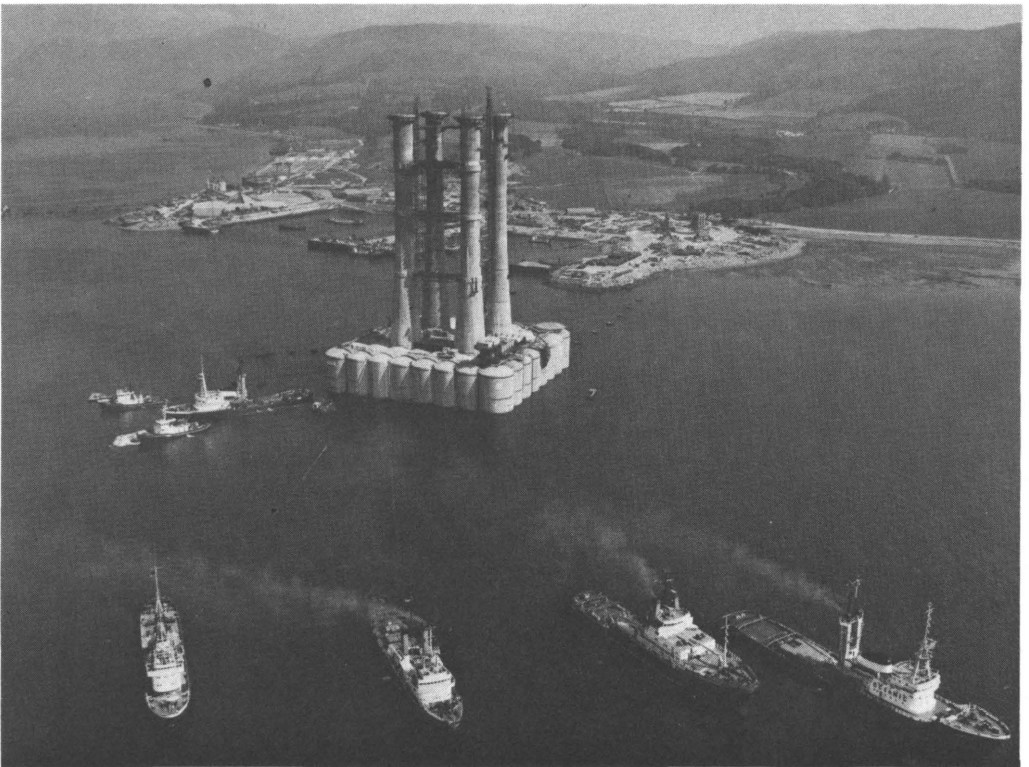
The first need of every society is to ensure that its people have enough to eat. The CAP and, to a less important extent, the fisheries policy, have achieved that. However, the Community is primarily an industrial society and its survival and future prosperity therefore depend to a large extent on the maintenance of a strong industrial base.

Next to the United States, the Community is the world's most powerful industrial unit, a position it attained during its early years when its structure, size and cohesion enabled it to benefit fully from the favourable economic climate that then prevailed. The situation has now altered radically and almost six million

people are unemployed in the Community, a third of them young people.

Some of the problems industry faces are cyclical ones which could be solved with an upturn in the world economy. But others are structural and require more long-term solutions. The fact that must be faced is that too many jobs in the Community depend on a number of traditional industries, notably steel, shipbuilding and textiles, which are in decline the world over. The Community's only option is to restructure these industries to make them as efficient as possible and to concentrate new investment and job-creation in growth sectors, particularly by identifying what are likely to be the key industries of the future.

The other inescapable problem the Community has to face is that it is dangerously short of its own sources of raw materials and energy, a fact that was brought home to it abruptly in the early 1970s. In the case of raw materials there



is little room for manoeuvre because without them industry would come to a standstill; the Community is therefore concentrating on assuring adequate supplies at reasonable prices. In the case of energy, there is somewhat more scope. While the Community is most unlikely in the foreseeable future to produce enough energy to cover its needs, it can reduce its dependence on imports through more rational usage and the development of its own alternative resources.

Although industrial concentration is not uniform throughout the Community and although different Member States have varying degrees of dependence on imported energy and raw materials, the industrial problems outlined here are, in general, common to the Nine. To a greater or lesser degree, they are also common to most of the world's industrialized countries so that global solutions must be arrived at. In these circumstances, the Community, because of its collective influence in the world, has a crucial role to play and its Member States are more and more looking to it as the key to their economic survival.

## Industry

The environment in which industry must now operate is radically different from what it was when the Community was formed. It has been altered by the energy situation, by the fact that raw materials are no longer cheaply available, by increasing international competition, by lack of investment and slowness to modernize.

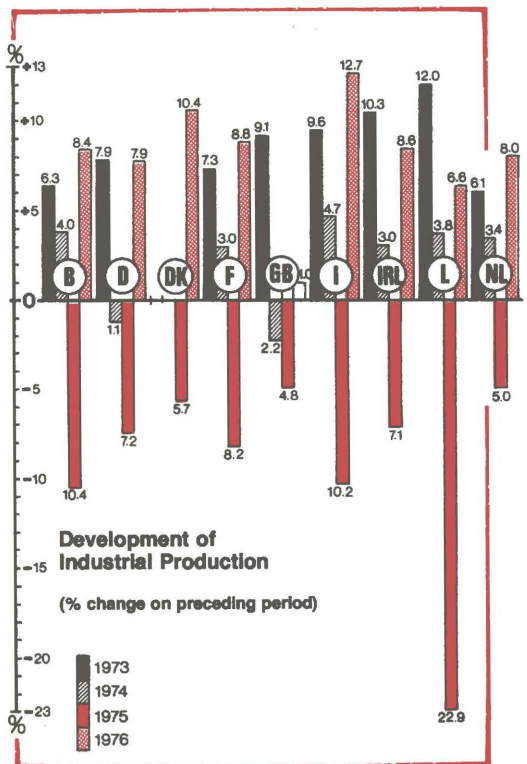
The textiles industry, to mention just one sector, has been declining for a number of years. Among other measures the Community has negotiated voluntary restraints on textile exports to it from low-cost manufacturing countries and the industry is being restructured during the breathing space which the restriction on imports has created.

The steel sector, which employs 750 000 people, is one of the Community's major problem

industries and the Commission, which has extensive powers under the ECSC Treaty in this sector, is taking anti-crisis measures to make it competitive, viable and able to offer stable employment.

The Commission has taken short-term price support action by means of anti-dumping measures against cut-price imports and by extending its system of minimum prices and guide prices for steel produced within the Community. There are also plans, backed by Community finance, for long-term restructuring and modernization of the steel industry.

Like the textiles and steel industries, shipbuilding is afflicted by overcapacity on a world scale. The Community is therefore trying to make its own industry more efficient through restructuring, partly aided by Community financing, and also to negotiate international production agreements with other exporting countries.





Parallel to this effort, the Community must take steps not only to preserve today's key industries like chemicals and help them to develop, but also to ensure a future for key industries of tomorrow like aerospace and computers. Some progress in both of these fields has already been achieved.

Apart from the creation of the common market and the operation of its competition policy, the Community has been working in a number of ways to help industry in general. Considerable progress has been made in the field of company law and two of eight directives proposed by the Commission, dealing with company information and minimum capital requirements, have been adopted. Some progress is also being made on the proposal for a European company statute which will facilitate the formation under Community law of large companies capable of competing at the international level. The creation of a Community capital market has progressed slowly. The reorganization of industry to take advantage of the broadened market depends both on the company law directives and on the single capital market.

The European Investment Bank, which is the Community's long-term financing institution, now provides more than £ 670 million annually in loans for industrial development, particularly bearing in mind its social and regional aspects. The Community's Social Fund has been helping workers in declining sectors to acquire the skills that industry needs and its Regional Fund has provided money for industrial and infrastructural development in lessprosperous areas.

In the coal and steel sectors, the ECSC has made a major contribution towards financing investments aimed at improving distribution, reducing costs, and modernization. Between 1954 and 1976 loans worth £ 1.6 billion were made. The ECSC made grants worth £ 116 million in the same period for the retraining and readaptation of 585 000 workers. Greater efforts are now being made to coordinate the operation of the Funds, particularly to increase their regional impact.

As far as raw materials are concerned, the Community has been in the vanguard of a movement to create a new relationship between the developing and developed countries. Such a relationship is crucial not only for the developing countries but also for the Community's own industries which depend on raw material imports from the Third World.

The Community can help small and medium-sized industries, internally, by guaranteeing them a free market and, externally, by providing them with the benefits of research, particularly on overall marketing possibilities overseas. The Community operates a Business Cooperation Bureau to help smaller companies in different Member States come together to set up joint ventures and to provide them with advice. Firms in the nuclear industry which provide a public service or carry out major technical projects of Community interest can come together as 'joint undertakings'. This status confers tax and other advantages. The European Investment Bank provides loan guarantees for companies whose requirements are too small to qualify for the Bank's normal loans.

As mentioned at the beginning of this section, industry, large and small, is now operating in an environment far different from that which existed in the early days of the Community when it profited from a dynamism that did not need to be sustained by any major degree of public financial intervention. Such intervention is now indispensable; moreover, it must involve substantial transfer of funds across national frontiers to the neediest areas. Clearly, sufficient political will must exist before this can be achieved. It can be more easily created and supported through the active involvement of the citizens of Europe, in rich and poor areas alike, by means of representation in a directly-elected European Parliament.



## Energy

Energy is a strategic foundation to the functioning of any economy and, for the more industrialized economies such as the Community's, the more vital this energy base becomes. A reduction in the Community's relatively high degree of external energy dependence (58 % in 1976) is a prime aim of its energy policy.

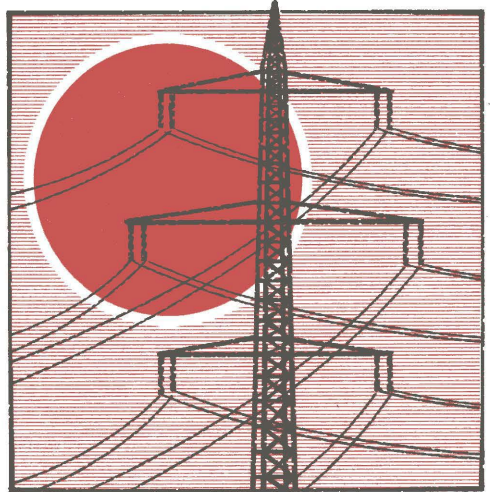
In a period when secure and economic supplies of energy are of increasing importance, yet when security of supply of conventional fuels is looking increasingly doubtful, it is more than ever essential that Community countries adopt a common position on external questions and pursue together complementary domestic policies.

Some of the biggest barriers to progress towards a common energy policy in the Community are the Member States' different degrees of dependence on imports, different capacities to produce supplies, different levels of State intervention and different pricing policies. Clearly, in view of these initial disparities, a common policy can only be achieved step by step.

Although complete self-sufficiency is out of the question (the target set in 1974 for 1985 was 50 %) the Community must reduce imports. It must also diversify its sources of imports for security reasons and develop its own alternative sources of energy. This means massive investment and, since energy research is so costly, such research and investment is best coordinated at Community level to avoid duplication.

In 1976 the Member States spent more than £ 400 million, of which Community funds contributed one-tenth, for general research on finding new sources or expanding existing sources of energy. This included research on environmental and health safeguards, particularly in the nuclear sector. Since the beginning of 1975, Community sources, including the European Investment Bank, have made available around £ 372 million per annum in loans to encourage energy investments.

A common Community position on energy is also desirable in dealings with the producer and consumer nations in international negotiations where a strong, united Community can carry far more political and economic weight



than nine countries acting alone. Such a united stance can also contribute to the development of political cooperation between the Member States since energy has increasingly become a political, as well as a commercial, property.

The Council has set targets for energy demand and supply in 1985. It has also set out the principles of the measures needed to achieve these objectives and several Commission proposals based on these have already been adopted.

Coal production aids, granted by Member States, are scrutinized by the Commission for their compliance with the maintaining of the common market. Coal imports are monitored with a view to keeping the right balance between Community and foreign supplies.

The oil sector is subject to regulations enabling the Commission and the member Governments to have a clear view of the market and its possible future development, imports and exports of crude oil and refined products, investment in refineries, crude oil and product



prices. Similar rules (except for prices) apply to the gas industry, and electricity investment programmes are reviewed on the same basis.

Support is being granted to new technological processes in the field of hydrocarbon exploration, production, transport and storage. Some 90 projects have been supported or approved, for more than £ 40 million. A support to 'frontier' developments in hydrocarbons exploration (e.g. deep sea drilling) is also under consideration.

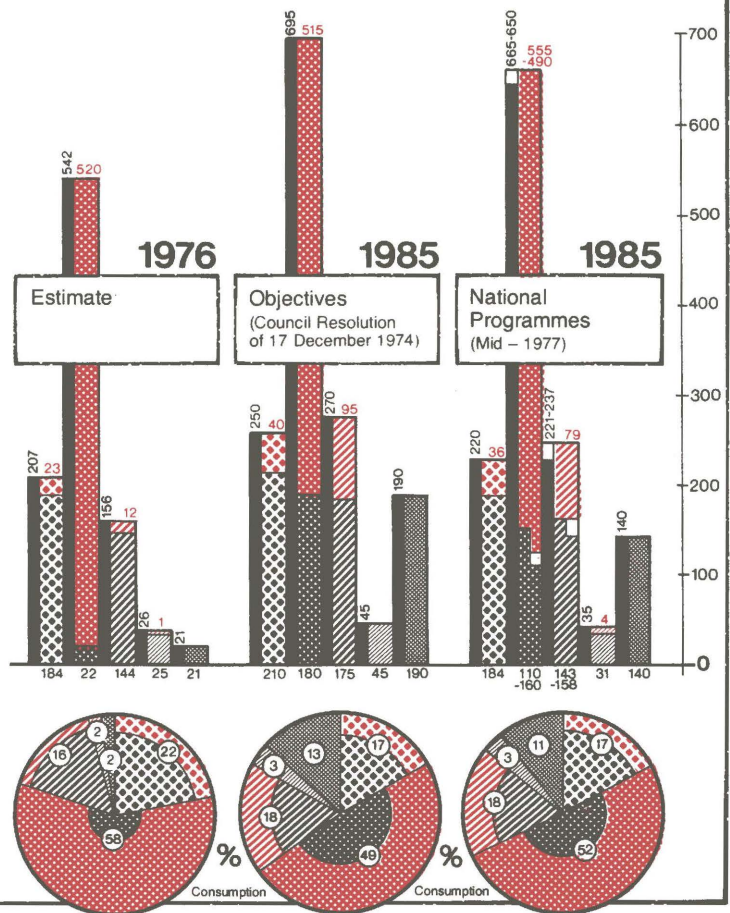
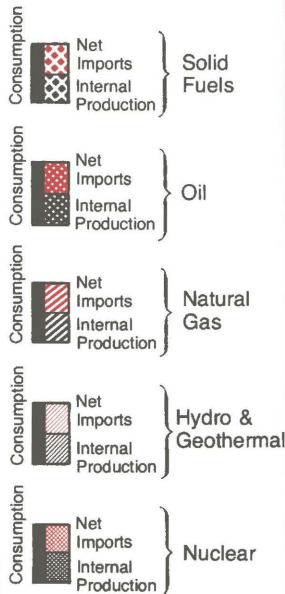
Security of supply is another major matter of concern in a Community which has already

had several oil supply cutbacks (1956, 1967 and 1973). Member States are obliged by Community law to maintain a 90-day stock of oil against the contingency of another crisis. An oil-sharing scheme has been agreed.

A major recent achievement has been the Council of Ministers' agreement on a site (Culham in the United Kingdom) for the Joint European Torus – JET for short – which is a nuclear fusion project. This is a field where Community research is not only in advance of the rest of the world but involves an energy source which would be pollution free and virtually limitless once the system is perfected.

### 1976 Situation, Community Objectives for 1985 and Prospects for National Programmes

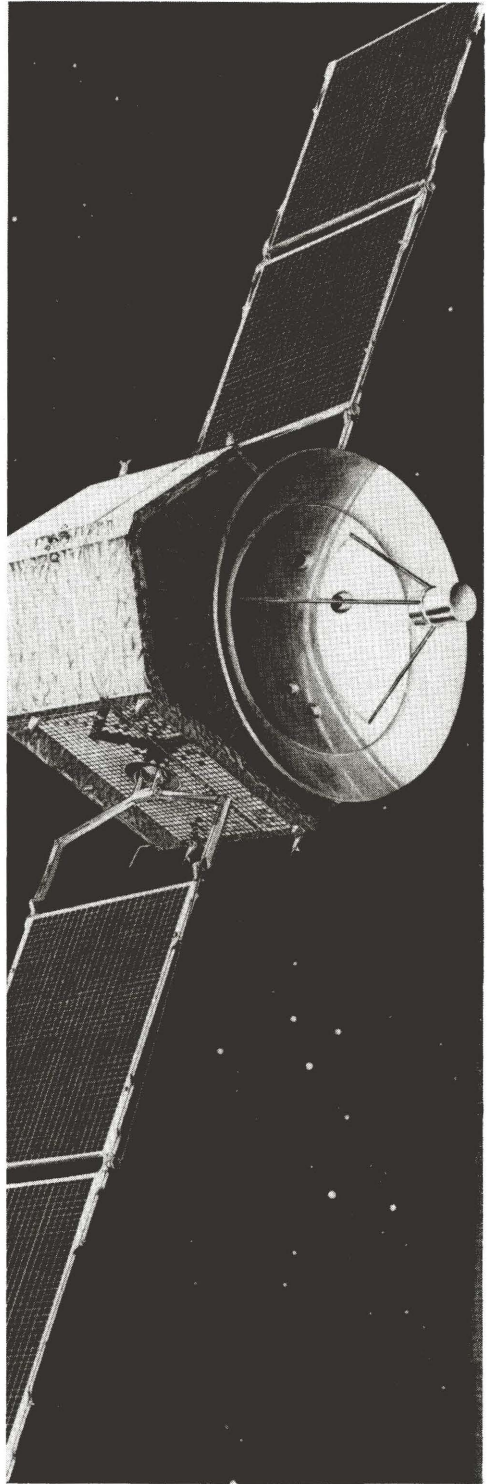
(in million tons of oil equivalent)





The development of nuclear power in the Community is a special problem but the Commission considers it important if the Community is to bridge the energy gap. The proportion of energy demand covered by nuclear capacity has increased from 1.4 % in 1973 to more than 2 %. The 1985 target is now 11.3 %. A Commission proposal for floating Euratom loans to finance this development has already been agreed by the Council of Ministers. The European Investment Bank has already played an important role in financing nuclear construction and will continue to do so. For the longer-term, the Commission considers that research into the fast breeder reactor (which 'breeds' more nuclear fuel than it consumes) should be continued so that the fast breeder will at least be a commercial option at a time when oil supplies will be becoming particularly tight.

However, the Commission is framing a cautious policy in nuclear development, and has consistently borne safety and ecological considerations in mind when making proposals. For example, Community safeguards (the Euratom Control System) exist to ensure that nuclear materials are not diverted for non-peaceful purposes. Aware of growing public concern about the possible environmental consequences of a massive recourse to nuclear power, the Commission has arranged public 'open debates' so that the views of ecologists, nuclear scientists, other experts and interested members of the public may be discussed in a rational and informed way. The holding of direct elections to the European Parliament will provide citizens with a further opportunity to make their views known on such Community subjects as the coordinated development of nuclear energy.



## Science and Research

A comprehensive and coordinated science and research policy is an essential tool in the Community's efforts to build up a strong industrial base and to develop alternative sources of energy.

For many years, the Community's research was somewhat fragmented and (as a result of the Euratom Treaty) confined to nuclear research. The 1972 Paris Summit gave the go-ahead for the development of a comprehensive common policy in the field of science and technology, including non-nuclear research.

A major breakthrough into non-nuclear research came in 1973 with the launching of a Community multiannual research programme and an environmental research programme. The following year the Council agreed that all the research policies of the Member States would be coordinated at Community level by way of a Scientific and Technical Research Committee (CREST).

In the light of the experience gained in the first three years of operation of a Community policy, the Commission in 1977 drew up guidelines for the 1977-80 period. The guidelines set out four main objectives:

- ▶ secure supplies of energy, raw materials, food and water;
- ▶ protection of the environment;
- ▶ economic and industrial development;
- ▶ improvement of living and working conditions.

Community projects must satisfy certain principles or criteria drawn up by the Commission. They must:

- ▶ derive maximum benefit from investment (e.g. thermonuclear fusion);
- ▶ be of a transnational nature (e.g. telecommunications);
- ▶ meet the need for a large market (e.g. aeronautics);

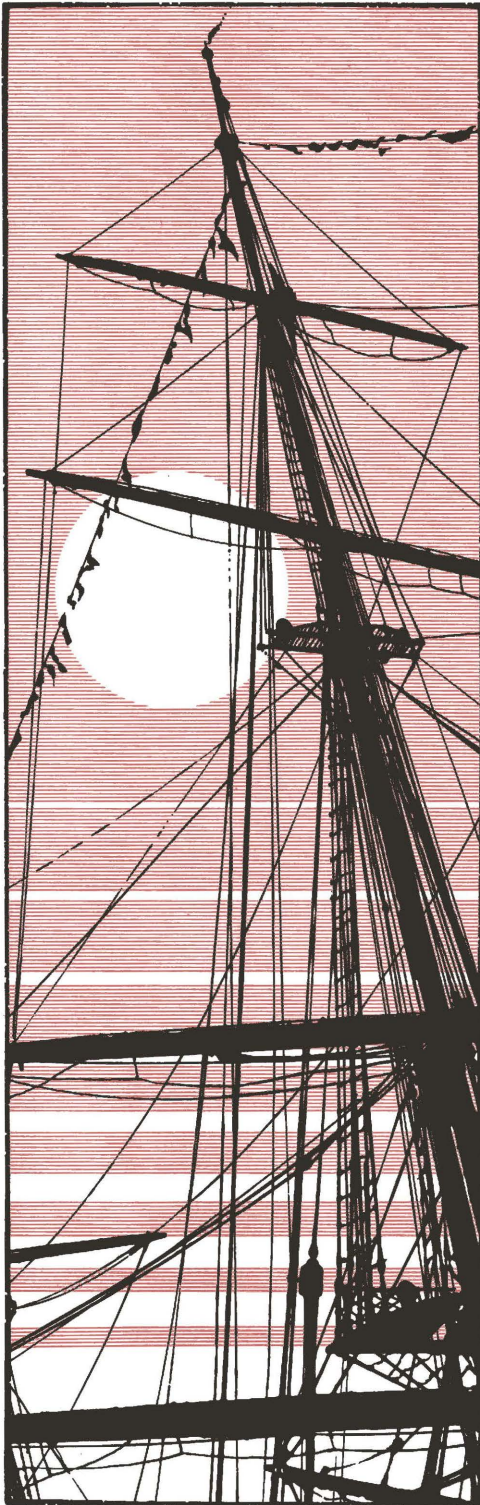
- ▶ meet the common requirements of the Member States (e.g. the security of nuclear installations).

While research will continue in the traditional areas – coal and steel, agriculture, nuclear and non-nuclear energy, scientific and technical information, the environment, computers and aeronautics – a number of new projects will be undertaken which respond more directly to the needs and preoccupations of the Community's citizens. Among these are medicine and public health, urbanization, social matters, dwindling raw materials, water supplies, weather forecasting and the like. The Commission will also give priority to industrial research projects proposed by small and medium-sized enterprises which are aimed at a more rational use of energy or raw materials, the development of new technology, the creation of employment and the protection of the environment.

In the 1977-80 period, £ 486 million will be needed to carry out this work, the bulk of it to be spent on energy research. The work will be undertaken either directly by the Community's own research establishments at Ispra (Italy), Karlsruhe (Germany), Geel (Belgium) and Petten (the Netherlands); by research establishments in the Member States backed by Community finance, by means of transnational projects coordinated at Community level, or through cooperation with ten non-Community European countries in the framework of COST (European Cooperation in Scientific and Technical Research). The Community's Joint Research Centre which groups its four research establishments has a budget of £ 138 million for the 1977-80 period to cover research costs and to pay the salaries of a total staff of more than 2 000.







## Transport

One economic sector of particular significance in the Community is transport, not only because of its economic importance and its role in the actual functioning of the common market, but because of the implications a successful common transport policy has for the Community's future economic integration. The aim of this policy is to ensure that travellers and goods can move about the Community as freely, as quickly and as cheaply as possible, with the minimum noise and pollution, the maximum safety and the least possible use of energy.

The state of affairs found by the authors of the Treaty and further complicated by the accession of three new Member States in 1973, was and is complex enough. The varying geography of the Member States, some being islands, others continental countries small or large in area, results in the various modes of transport varying widely in importance in the Member States, whose governments attach differing degrees of value to them in terms of Community policy. As transport is traditionally an area where State intervention is extensive there can be a clash of government interests at Community level.

If this complicated situation is taken into account, progress so far is certainly significant: the first steps have been taken towards dovetailing national road-building plans; as regards rail tariffs, years of painstaking work have eliminated many of the discriminatory elements which distorted competition. Financial relations between the railways and the State are now largely governed by Community law; there are Community provisions on State aids and about agreements affecting competition in the transport sector. As regards taxation, value-added tax has been made a universal requirement; standard, Community-wide driving and rest times for lorry and bus drivers contribute to road safety and social progress, even though their application presents difficulties for some Member States. In the field of market organization, international road passenger transport by coach or bus, in

particular, and to a degree cross-frontier road transport of goods generally, have been facilitated.

Almost 3 000 Community authorizations to carry goods between Member States have been issued to road hauliers to replace those issued to them under bilateral arrangements.

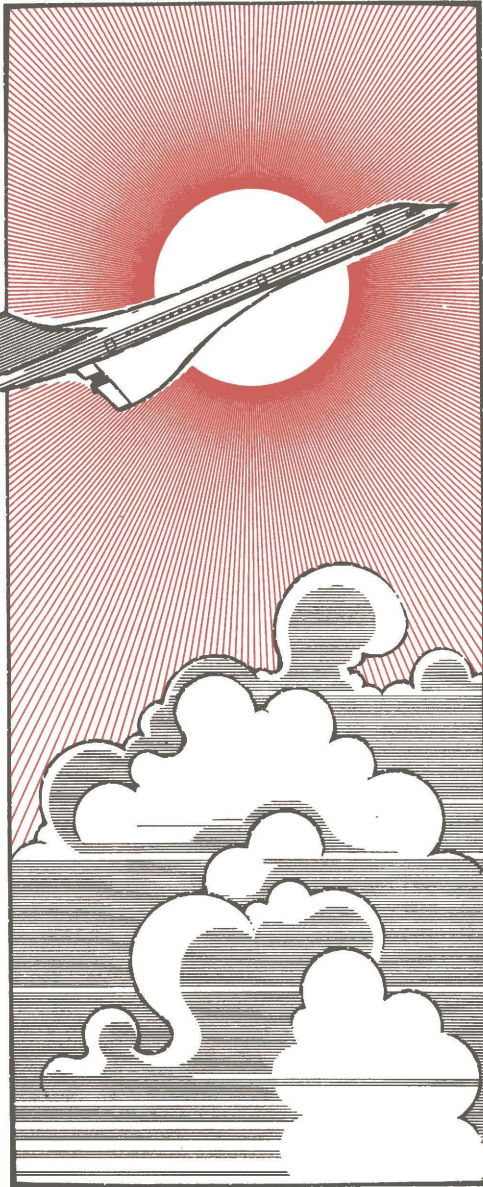
Another area where considerable progress has been made has been on the approximation of laws concerning motor vehicles, which contributes both to opening up the Community to manufacturers and to safety. The eventual aim is a Community-wide vehicle type-approval which will enable vehicles manufactured in the Community to be sold freely in any Member State as long as they conform to certain standards.

Among the priority objectives now are attempts to make railways once again an economic proposition by promoting commercial cooperation between them in order to rationalize investment. A Council decision of 1975 has already prepared the way for this. The Commission would also like to see more coordinated investment in infrastructures.

Together with the problem of harmonizing the conditions of competition – especially motor vehicle tax – laws on the load capacity of road and inland waterway transport and on pricing policy are among the most difficult problems remaining to be solved. These are being tackled at Community level.

A further area where progress must be achieved is in relations with third countries because Community transport, like many other sections, does not operate in isolation from the rest of the world. There is a need for a common position among the Nine in dealings with third countries and international organizations and already there has been some progress in the aviation and shipping areas.

The Commission is now working on a programme of further priority objectives for 1978 and beyond.





# A Fair Deal For All

The European Community does not confine itself to achieving economic goals. The Rome Treaty signatories also resolved:

” to ensure the economic and **social** progress of their countries. ”

However, they believed that social progress would be a concomitant of economic progress.

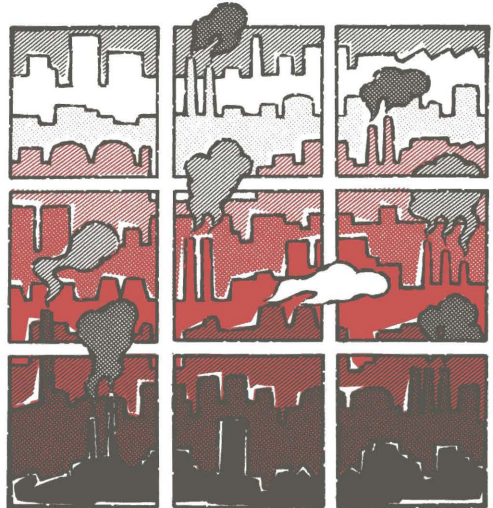
Up to a point they were correct because one of the primary social duties of any society is to provide its citizens with the means of material support. The Community certainly achieved this. Jobs were plentiful as industry expanded to benefit from the wider common market and wages almost doubled in real terms in the first 20 years of the Community's existence.

In this encouraging environment in which general living standards rose steadily, neither the economic nor social structure of the Community was called into question. When the economic boom began to fade at the beginning of the 1970s and its echo in social well-being was muffled, it became clear that the material achievements had not been to the benefit of all sections of society nor of all regions of the Community. The prosperity gap between different economic levels of society, and between different regions of the Community, had not been appreciably narrowed and, when the economic crisis came, the weaker sections of society, like women, youth and migrant workers, as well as the economically-weaker regions, were the least cushioned against it.

The need for large-scale social and regional policies organized at a Community level has therefore become an urgent necessity. A Community rather than a national response is required because the problems are common to the Nine.

## The regions

As we have seen, one of the aims of the Community's industrial policy is to achieve not just growth but balanced growth. Before the Community was established considerable prosperity gaps existed not only between the original six Member States but between regions within them. This divergence was in some ways even further highlighted with the accession of the three new Member States in 1973.



Such disparities have resulted in a serious population decline in poorer areas as people have drifted towards the more prosperous industrial centres. This in turn has led to overcrowding in many areas, particularly in what has been described as the megalopolis stretching from the Ruhr in the Federal Republic of Germany to Paris and across the Channel to London. Such a development, with all the serious social and environmental consequences that it entails, brings as many 'regional' problems to rich areas as it does as to

poor ones. The ECSC Treaty recognized these trends and provided for Community loans to attract new industries into declining coal and steel regions and to train redundant workers for new jobs. More than £ 556 million has been spent so far on giving workers new skills, and reconversion loans totalling £ 178 million have created new jobs in coal and steel areas.

The Treaty of Rome followed up this example by providing money for regional development. The European Investment Bank was created to raise money for investment in industrial and other projects in the poorer areas, where some 75 % of its funds go. Ways in which the Bank might further develop its operations to provide more money for investment in areas particularly badly-hit by unemployment or to help certain critical industries currently under pressure are being examined. The Social Fund (see next chapter) also spends most of its resources on helping retrain workers who face unemployment in the less-favoured regions. And the Guidance Section, of the Farm Fund, as we have seen, was designed to modernize farms and make agriculture more efficient.

It was not until 1975 that a Community regional policy was formally adopted and a Regional Fund established. This Fund was given £ 520 million for an initial three-year period (1975-77) to help finance industrial and infra-structural investments in areas of greatest need. A further £ 1 147 million has been voted for the 1978-80 period.

The Fund is used to make non-repayable grants to eligible investment projects, in association with governments' own regional aid systems and the infrastructure expenditure of national public authorities. It can make grants equivalent to up to 20 % for industrial and some service investments in areas benefiting from national regional aids, and it can in the same areas contribute up to 30 % of the cost of infrastructure works that are directly linked with the development of industrial activities. A key requirement is that money from the Fund should be additional to national expenditure and not be used simply to reimburse national authorities.

The Commission administers the Fund with the help of a Regional Fund Committee. A Regional Policy Committee plans future strategy. Both are made up of representatives of the Commission and of the Member States. While the processing of applications and the general administering of the current Fund has been rapid and efficient, its initial size was disappointing, being only half of the original figure proposed by the Commission. This inadequacy was underlined in the first annual report on the operation of the Fund in 1975 where it was pointed out that the prosperity gap between the richest and poorest areas of the Community had actually widened since 1970.

Clearly, a more determined effort on the part of the richer Member States is urgently needed to narrow this gap and bring about a more balanced development of the Community on which the success of so many other policy areas depends.

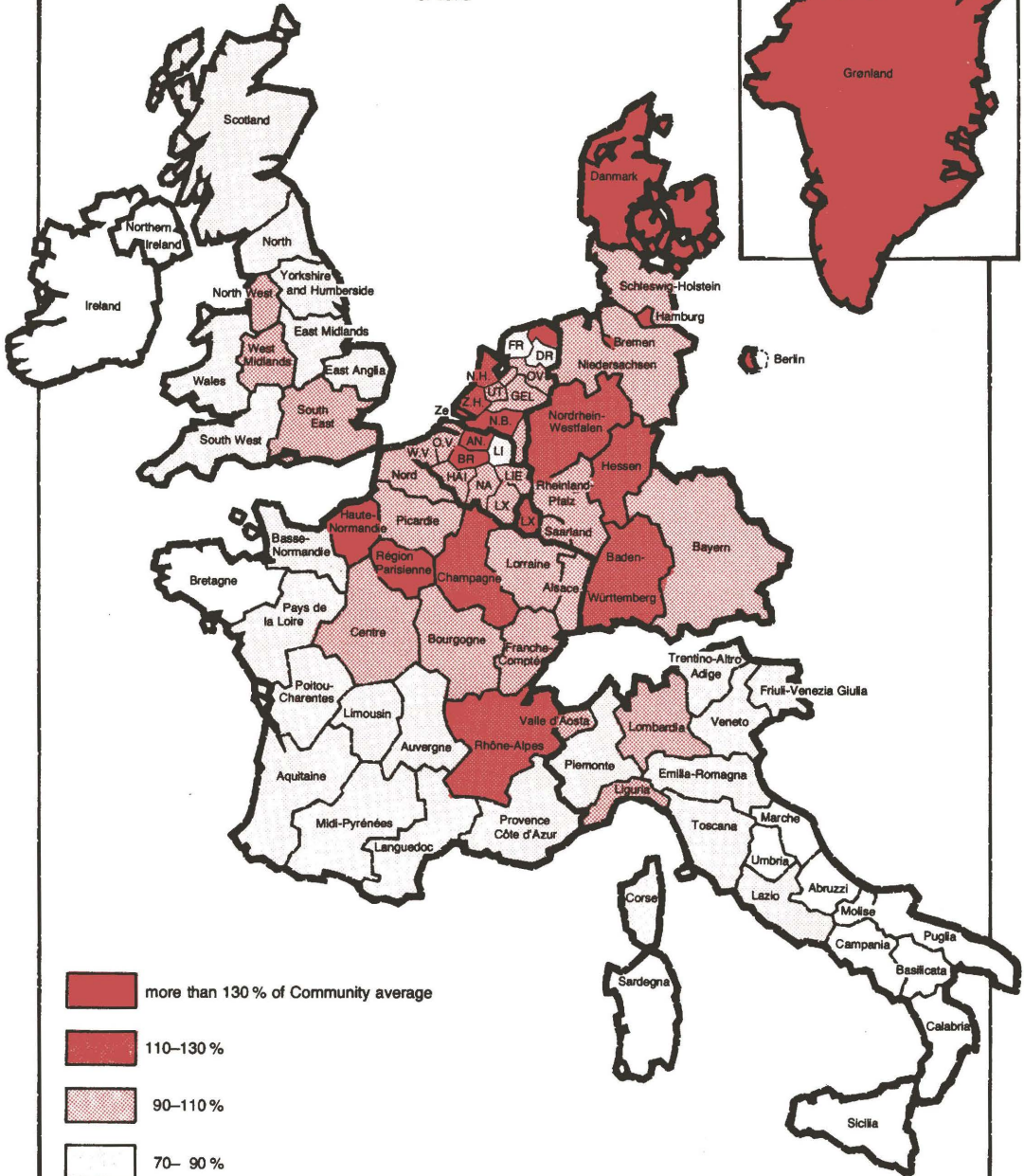
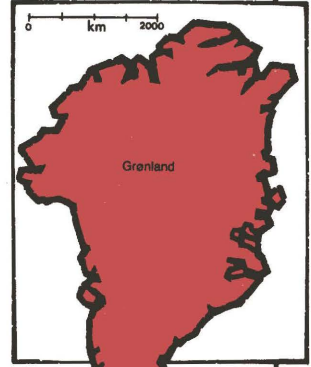


**The map on the opposite page shows the regional disparities, 1975.**



# Regional Disparities

Gross domestic product per inhabitant, expressed in purchasing power parities of 1970



- more than 130% of Community average
- 110-130%
- 90-110%
- 70-90%
- less than 70% of Community average



# Social Policy

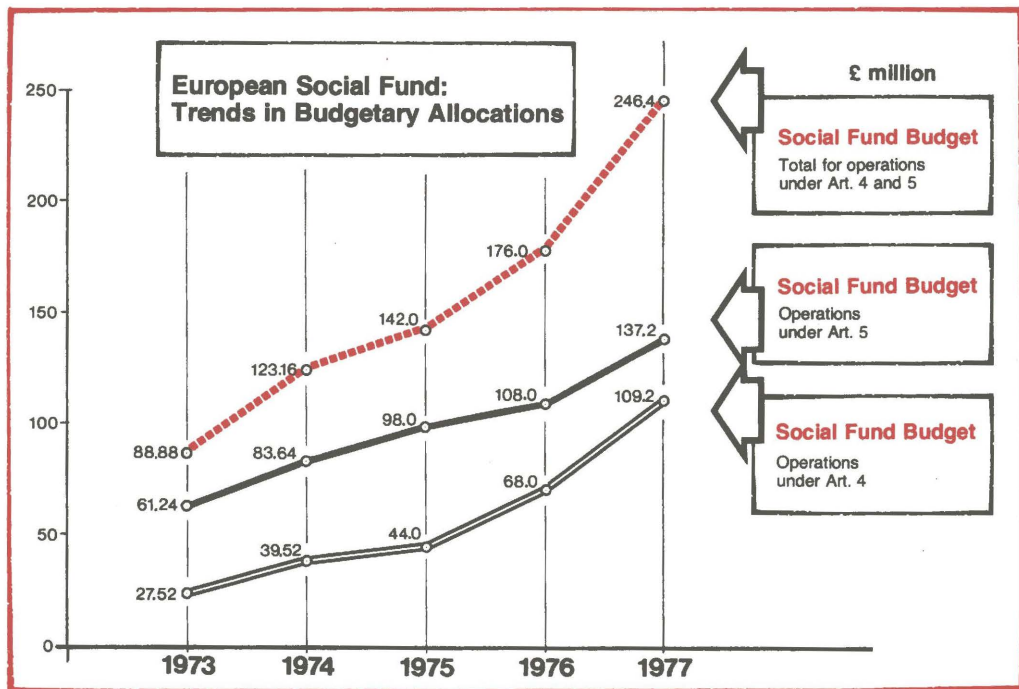
While the Treaty of Rome aimed at social as well as economic progress, most of the power and initiative in this field remains with national authorities. However, the Treaty did provide for a Social Fund to help finance training and retraining schemes and its resources have grown steadily. The Fund, while it remains the Community's most valuable social instrument, was, nevertheless, created to help deal with the long-term restructuring problems brought about by changing employment patterns, particularly as a result of the development of the common market. While this is still valid, there is a need for a Community instrument backed by adequate funds which is capable of dealing with current unemployment problems. Unless the Community can solve its immediate problems quickly, its long-term structural problems are going to be even more serious.

Community social policy has been more active in recent years because the economic crisis

has highlighted the need for it. The point of departure was the stock-taking Summit of 1972 when the Heads of State or Government asked the Commission to draw up a social action programme. This was adopted at the beginning of 1974 and the Council of Ministers undertook to achieve in the 1974-76 period the following objectives:

- Full and better employment;
- Improvement of living and working conditions;
- Increased participation of both sides of industry in the economic and social decisions of the Community and of workers in the conduct of their firms.

The main instrument in achieving full and better employment was the use of a bigger Social Fund which ensured that money went to countries and regions with the greatest need and which was more broadly-based by being gradually extended to cover special categories of workers such as migrants, women, the elderly, young school-leavers and handicapped





workers. The readaptation of workers leaving agriculture or the textile industry, as well as those in depressed areas were already covered.

It must be emphasized that the Social Fund is dependent on contributions from the national governments for its finances and that, because of its limited means it can only complement national employment measures. The Fund can provide up to 55 % of grants for re-training made by public authorities in the Member States. Since it was reformed in 1971, the Fund has benefited more than two million people. Its resources have increased from £ 94 million in 1973 to £ 246 million in 1977.

The Council recently approved reforms of the Fund aimed at concentrating its resources where they are most needed, simplifying its administrative procedures, and providing for special intervention on behalf of young people and women.

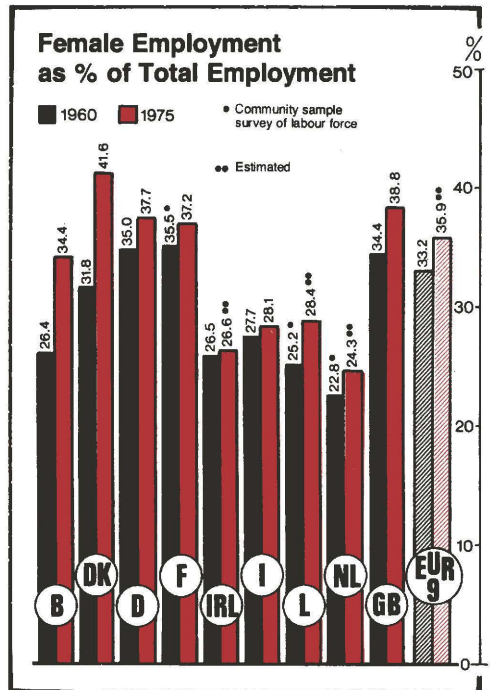
In both the regional and social fields, it is no longer sufficient for Community funds to be limited to a complementary role. If the present crisis is to be overcome and if progress is to be made towards economic and monetary union, Community intervention at the social and regional levels must be geared towards the achievement of overall Community economic objectives arrived at by common agreement among the Member States. The Regional and Social Funds must therefore be large enough to play this new role. This in turn implies a greater transfer of resources for which political support at the Community level must be found. A directly-elected European Parliament will provide a vehicle for mobilizing this essential support for more active Community financial intervention.

## Women

Special attention was paid in the social action programme to the problems women have to contend with at work or returning to work. To improve their situation, the Council of Ministers in 1974 and 1975 adopted two directives, one providing for equal pay for equal work, and

the other giving women equal access to employment, vocational training and promotion and comparable working conditions. These are expected to be supplemented shortly by a further directive giving them equal social security treatment.

In September 1977, the Commission forwarded to the Council of Ministers a proposal for specific action from the Social Fund for re-training schemes for women. In an effort to help women obtain more information about their rights a Women's Bureau has been set up within the Commission.



## Migrants

In addition to extending the Social Fund to help migrant workers of whom there are about six million, the Community also drew up a special action programme to assist them. Since the programme was adopted legislation has been passed enabling migrants to become officers of trade unions and pilot projects have been begun concerning the education of migrant workers' children to try to ensure that, among other things, they not only learn the language of their host country but retain their own language and culture. In June 1977, the Council of Ministers adopted a directive designed to ensure the adaptation of school structures and curricula to meet the specific educational needs of the Community's one-and-a-half million migrant children. A proposal which would combat illegal immigration and the employment of illegal immigrants, who are frequently exploited, has been prepared, and there is a gradual coordination of the immigration policies of the Member States. Various housing pilot schemes aimed at the better integration of migrants have been started.

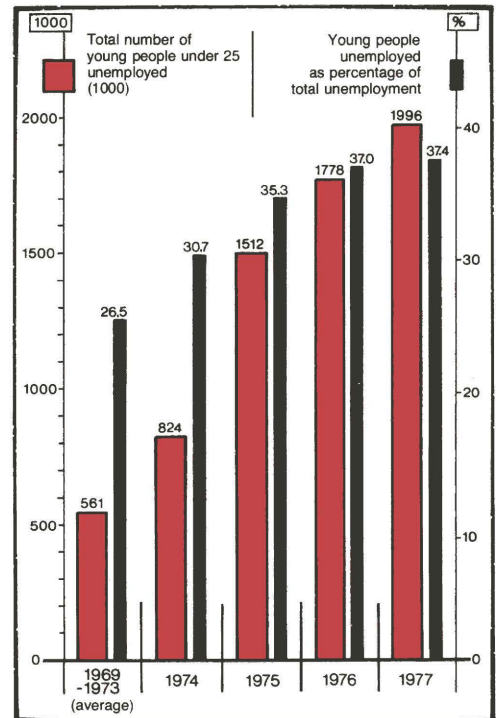
they should be given maintenance allowances and have their fees paid when they attend courses. Pilot projects aimed at finding long-term solutions to the problem of youth unemployment are being carried out.

In the short term, the Community uses its Social Fund to provide special training for young people to make them better fitted to fill available jobs. Since 1975, nearly £ 120 million have been earmarked for this important effort. There is also a proposal to provide Community premium payments to employers who take on young people and the Community urges its Member States to do the same or to extend their existing schemes.

## Youth

The Community is currently faced with an unemployment crisis which has particularly hit young people. This is not simply a problem of too many people chasing too few jobs but, in the case of the young, of not always being suitably educated for the jobs that are available.

The Community is tackling this problem by encouraging its Member States to adapt their schools curricula and systems to the needs of the modern labour market, to provide more vocational training and guidance in order to help young school-leavers to adapt to working life, and to provide post-school training, particularly for young people who have left school without proper qualifications. It is also urging that young people threatened with losing their jobs should be given leave of absence from their work to attend training courses and that





## Living and working conditions

In an attempt to improve living and working conditions, the principle of a 40-hour working week with four weeks paid holidays has been adopted. A European General Industrial Safety Committee has been set up and the competence of the ECSC Mines Safety and Health Commission which protects workers in the coal and steel industries from industrial disease has been enlarged to cover other industries. A European Foundation for the Improvement of Living and Working Conditions has been opened in Dublin and this is being supported by the Community's environmental action programme.

The Community is trying to ensure a more active role for workers in the running of their companies and, in a Green Paper, has encouraged a general debate on the subject. In addition, a directive laying down uniform procedures in the case of collective redundancies, which ensures proper consultation, has been adopted and there is a proposal which protects workers acquired rights in the event of the takeover or merger of their company.

In the broader area of consultation, both the employer and trade union organizations of the Member States are collectively represented in Brussels through their own confederations and they are involved on a continuing basis in the preparation and implementation of Community policy by means of various consultative committees. Recently a Standing Committee on Employment which brings together Social Affairs Ministers, employer and trade union representatives and the Commission to discuss employment strategy was revived. There is also a Tripartite Conference which, in addition to the abovementioned participants includes Finance Ministers. This body plays an important role in ensuring that both sides of industry are fully involved in the key decisions that must be taken to restore the Community's economy to full health.

The Commission believes that the present crisis has reinforced the need for consultation

at every level, from factory floor problems to major Community political discussions. The directly-elected European Parliament will have an important role to play in this process.



## Fighting poverty

A number of pilot projects designed to combat poverty are being conducted throughout the Community. These include studies aimed at making social welfare more effective, improving Community development schemes and stepping up information about welfare rights. More than £ 5.6 million was recently allocated to these projects for a three-year period.



# A Better Life

In the immediate post-war years, Europe's primary concern was to get its economy back on an even keel. The existence of the Community not only provided the framework in which this could be achieved but also one in which unprecedented expansion could be attained. In these circumstances, where growth was the generally-accepted priority, the qualitative aspect of life was not a prominent subject of debate.

Today, economic realities are more complex and the strategy needed to achieve economic goals is less-easily defined. Economic interpenetration on a global scale has presented the consumer with a vast array of goods to choose from but has also made him more aware of his vulnerability *vis-à-vis* the manufacturer, particularly a foreign one. Energy resources are becoming scarce and our environment is threatened in the quest for new ones. Economic change has also forced the Community to reassess its ability to adapt to new circumstances. With more than two million school leavers out of jobs it must question whether its education system is meeting the needs of the labour market.

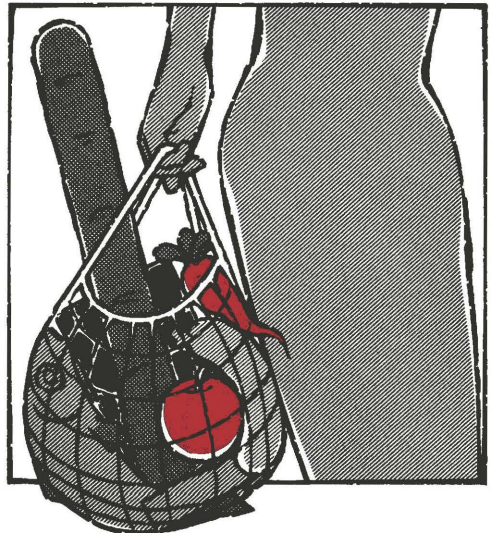
In all three spheres, there is a clear need for Community policies and for the participation of Community citizens, through representation in a directly-elected European Parliament, in the development of these policies. Because of the vast increase in world trade, and particularly Community trade, there is a need for consumer protection that transcends national boundaries. In the environmental field, Member States cannot cope in isolation since pollution is no respecter of frontiers. In the education field, a Community policy is needed to help cope with the increasing mobility of the Community's citizens, particularly in their working life.

## Consumers

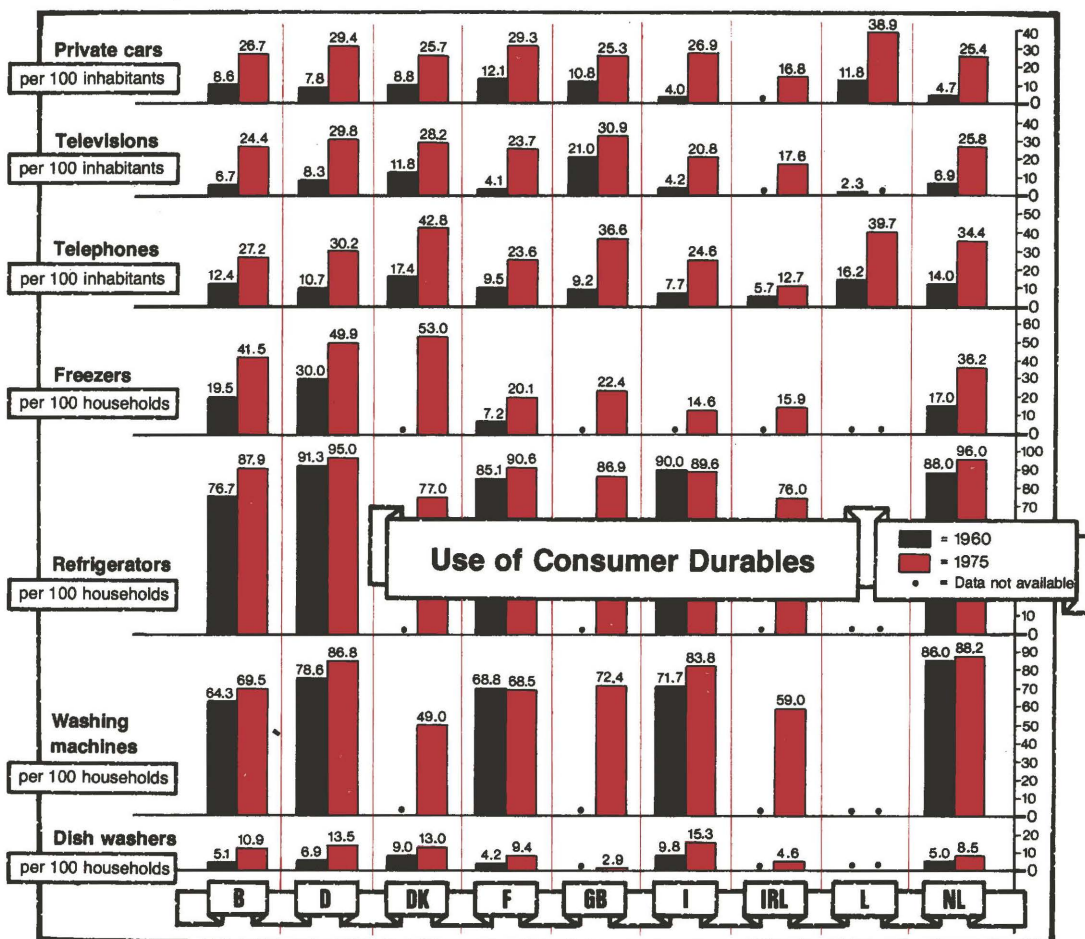
We have already seen how the creation of a common market brought about a spectacular rise in trade between the Member States. This was of benefit both to manufacturers and to consumers. However, in the same way as national governments alone cannot cope with the demands of managing the new enlarged market to ensure fair trading conditions, they have difficulty ensuring protection to the consumer.

Although the Community did not have a consumer policy as such until 1974, the increased competition between manufacturers had already given consumers more choice and helped keep down prices. The operation of strict laws to ensure free and open competition had also been to the consumers' advantage.

Giving consumers more choice and protecting them against unjust price rises is not, however, the complete answer. They need protection against health and safety risks and a fair deal in the supply of goods and services; more complete, accurate and objective information about those goods and services so that they can compare price and quality; and more involvement in the Community's own policy-making.







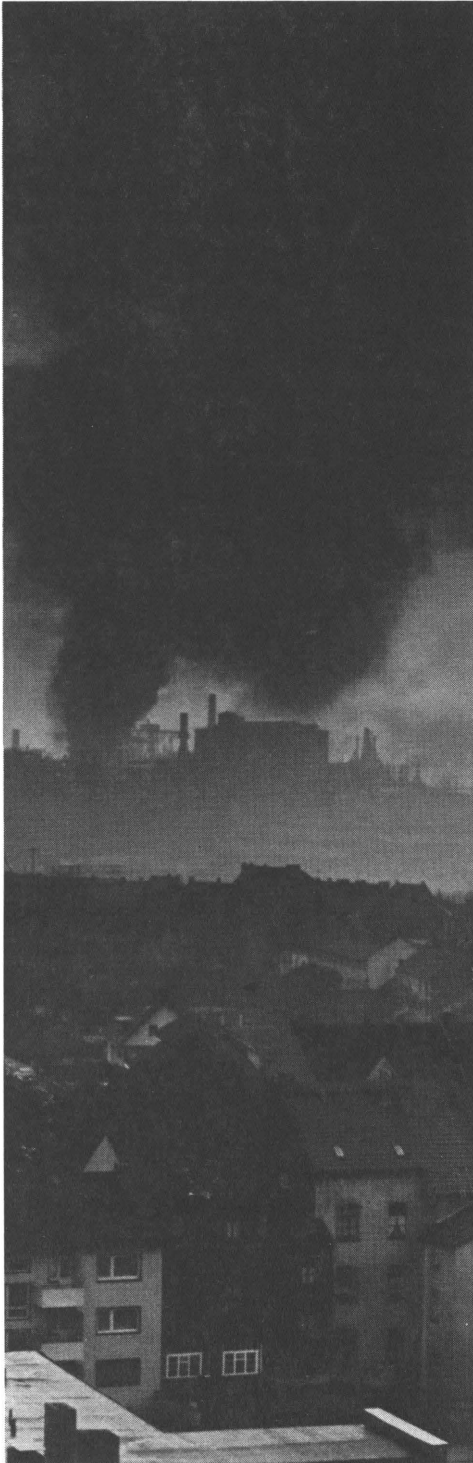
A consumer protection and information programme was therefore adopted by the Council of Ministers in 1974 which had as its priority aims over a three-year period the improvement of health and safety standards, particularly in foodstuffs and dangerous products; the elimination of unfair and deceptive commercial practices such as the supply of unsolicited goods, unfair forms of contract and misleading advertising; and providing greater protection for consumers involved in hire purchase or other credit arrangements.

The Commission has so far produced proposals to control doorstep selling, the labelling of foodstuffs, the marketing and display of the

prices of foodstuffs, producers' liability for defective products and laws on consumer credit. None of these has yet become law because of the difficulty of approximating nine separate national laws and traditions, but they are already influencing and encouraging the development of national legislation.

Meanwhile, the operation of the common market and of the Community's competition policy continues to expand, giving the consumers an ever-wider choice of goods while at the same time helping to keep price increases to a minimum.





## The Environment

In the last few years, the Member States' Governments have become more aware of the dangers to the environment and have gradually introduced legislation to increase protection. However, national approaches differ and, since the environmental threat is not only a national phenomenon, there is need for a Community response.

In 1973, an environmental protection programme was adopted by the Council of Ministers. This set out a plan of action on three fronts – controlling pollution, improving the environment and taking part in international conferences and conventions designed to tackle environment problems of a truly global nature such as the pollution of the sea. One of the underlying principles of the programme was that the polluter should pay.

The Commission set up a special environment protection service to carry out this work; its task is enormous. In addition to the sheer geographical span involved, traditional apathy to the environment or, just as traditional, the power of industrial lobbies, it has to cope with the existence of differing national legislation and the variety of bodies – at national, regional or local level – responsible for implementing it. In carrying out its work effectively the Commission can benefit from the support of public opinion involved at Community level in a directly-elected Parliament.

The Commission has set about establishing quality objectives for different components of the environment, particularly water and air. The Council has already agreed on quality objectives for water and has adopted two directives establishing minimum standards for the water we drink and bathe in. The fish we eat also depend on clean water and the Community has drawn up a framework directive setting out lists of the most dangerous substances which are regularly dumped into sea and fresh water and whose dumping must be reduced. It will be followed up by directives concerning specific substances on the lists.



At the international level, the Community is a signatory to the Convention on the protection of the Rhine against chemical pollution and has signed the Barcelona Convention on the protection of the Mediterranean and the Paris Convention on the prevention of land-originating marine pollution.

Around 60 % of the Community's population are town or city dwellers who daily have to breathe air which is constantly being polluted by industry, heating systems, motor vehicles and the like. Cleaner air is one of the priority targets of the protection programme and the Community has already passed laws controlling exhaust fumes from motor vehicles and the maximum sulphur content of certain liquid fuels.

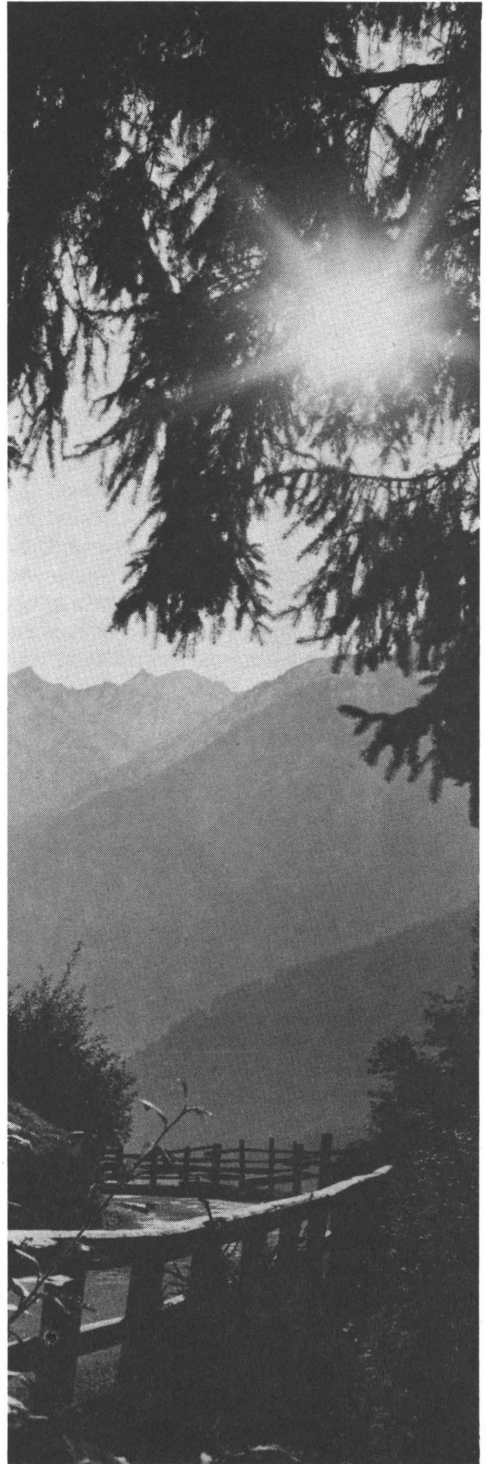
Most city and town dwellers also have to put up with a great deal of noise. To protect their eardrums, the Commission has produced a whole series of proposals to keep down noise, ranging from pneumatic drills to subsonic aircraft, and these are now awaiting decision by the Council. Work is also being done to reduce noise at work.

Every year, the amount of waste produced in the Community grows by 5 %; the present annual figure is more than 1 500 million tonnes and it must be controlled. Three directives on waste control have already been adopted and the Commission has produced further proposals on the recycling of waste. There is a Community programme to improve the management and storage of radioactive waste.

The Community is also trying to protect its environment through better urban planning and the creation and maintenance of more open spaces. It is working towards the protection of migratory birds and of endangered species of flora and fauna.

At the international level, the Community has technical cooperation agreements with a number of countries and it takes part in international conferences and research.

As a follow-up to these efforts, the Council, in December 1976, adopted a second environ-



mental protection programme to last until 1981. This is mainly founded on the same principles as the first programme and extends it considerably.



## Education

The Community is proud of its cultural diversity and is conscious of the need to preserve it. Education therefore remains very much the responsibility of individual Member States and the Community has no intention of aiming at a harmonized education system. However, European cooperation in education has a very important part to play in many aspects of the development of the Community and it was with this in mind that, in 1976, the Council adopted a first programme of action in the education field.

Six priority issues were identified. They cover:

- improved educational facilities for Community and non-Community migrants and their children;
- closer relations between educational systems;
- compilation of up-to-date educational documentation and statistics;
- increased cooperation in the field of higher education;
- the teaching of foreign languages;
- equal educational opportunities for all.

Within the programme particular priority was given to the need for measures in the education field to prepare young people for work and to facilitate their transition to working life.

Working closely with an Education Committee on which it and the Member States are represented, the Commission has undertaken a number of Community projects. These include collaboration with the Member States on pilot schemes designed to improve the education of migrants workers' children; the institution of a system of grants for joint study programmes between higher-education institutions in different Community countries; and grants for study visits by teaching and research staff and administrators. Discussion on modern language teaching is in progress. The study of European integration is also encouraged.

The Commission has drawn up a report analysing the problems encountered in preparing young people for working life and in facilitating the transition between school and work. It suggested a number of ways in which these problems might be tackled within the framework of existing educational systems and a series of major pilot projects are being prepared as part of an action programme which should have an allocation from the Community budget of £ 4.56 million over the period 1977-80 with additional financing by the Member States.

A new Centre for Vocational Training in Berlin was opened in 1976, as was the European University Institute in Florence where post-graduate work is carried out by students from all parts of the Community. There are, in addition, seven European Schools for the education of the children of Community officials. The 10 000 pupils learn at least two Community languages other than their own.





# The Community in the World

The Community, which grew up in the shadow of two super powers, the United States and the Soviet bloc, has for some time exercised an important and growing influence on world events, particularly since its enlargement in 1973. Despite the fact that its Member States had over the centuries developed separate commercial and political links with the rest of the world, the Community, which is the world's largest trading unit, has developed not only an economic but also a political identity on the world scene.



Its common commercial policy has been operational for almost 10 years and it negotiates its trade and commodity agreements as a single unit. Its Member States, through their political cooperation meetings, are more and more

succeeding in coordinating their foreign policies. They have for example recently taken a common stance on the question of a Palestinian homeland and have agreed on a code of conduct for Community business dealings with South Africa. The Community has succeeded in embracing a large part of its Member States' commitments to a number of former colonies and other developing countries in a single agreement (the Lomé Convention) that is a model for the rest of the developed world; it has a wide variety of trade and cooperation agreements closer to home in the Mediterranean area and it has set up a huge free trade area with the European Free Trade Association (EFTA).

It has won widespread diplomatic recognition and even the Soviet Union and other Eastern bloc countries which have refused to recognize the Community formally, have, in practice, acknowledged that they can no longer afford to ignore its existence and have negotiated with it *inter alia* on fishing rights. 108 countries have accredited diplomatic representatives to the Community.

Perhaps the most concrete evidence of the impact that the Community has made outside its own common frontiers is that it has led to applications from three other European countries – Greece, Portugal and Spain.

The Community first established its identity on the international stage as a trading entity. The creation of an internal free market went hand in hand with the adoption by the Member States of a common external tariff. In a good number of economic negotiations, including GATT, the Commission is now given a mandate by the Council to negotiate on behalf of the Community and non-member countries seeking agreements with the Community have to negotiate with it instead of with individual Member States. The Community is the world's largest trading unit, accounting for around 40% of the total if trade between its own Member States is included and 25% if this trade is excluded.

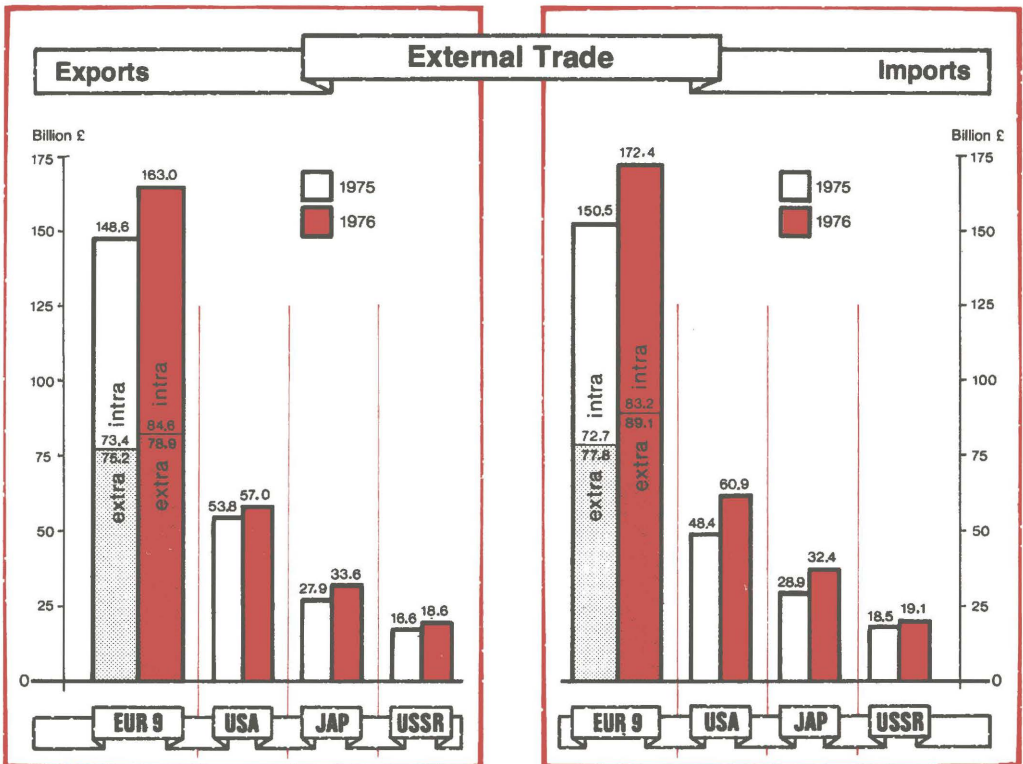
The Community has always adopted a liberal trading policy. It has the lowest weighted aver-

age of customs duties on industrial goods within GATT; it was the first to introduce a comprehensive generalized system of preferences and it has agreed other trade concessions for African, Caribbean and Pacific countries. There are also agreements with Mediterranean countries and free trade and preferential arrangements with European neighbours.

The Community's common policy for external trade includes a liberalization list of more than 900 products that can be imported freely, a common procedure for quotas, a joint anti-dumping policy, an agreed definition of the origin of goods, and a uniform valuation of imports for customs purposes. Other agreed rules cover goods in transit, storage in bonded warehouses and goods imported temporarily for processing. There are harmonized rules for importing farm products not covered by the common agricultural policy. Member States'

policies on export credits are gradually coming more into line with one another.

As the world's largest trader, the Community has not only an interest in, but a responsibility internationally, to ward off a return to protectionism. It has succeeded so far in these efforts because its own Member States have resisted the temptation to drift towards protectionism in intra-Community trade, thereby setting an example for the Community's international trading partners. Widespread recourse to protectionism would lead to more unemployment, a fall in investment and a general deterioration in the Community's economic situation. The Community is therefore very concerned to achieve solid progress in the current multilateral trade negotiations being held under the auspices of GATT.





# Industrialised Countries

## Europe

The Community is at the centre of a huge industrial free trade area of 300 million people in Europe. This was brought into being in July 1977, when the last industrial tariffs were abolished between it and the European Free Trade Association – Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland. The EFTA is the Community's largest trading partner and in 1976 took 22 % of its exports and supplied 15 % of its imports.

Any European democracy can apply to join the Community and, since the early 1960s both Greece and Turkey have had association agreements with the Community designed to lead to membership at a later stage through the gradual establishment of a customs union. The agreement with Greece was partially frozen during the military dictatorship but following the restoration of democracy in July 1974 normal links were established and negotiations for its accession to the Community began in July 1976. The Community has preferential trade agreements with both Spain and Portugal, both of which applied in 1977 for Community membership. It has a non-preferential trade agreement with Yugoslavia which both sides are aiming to expand into a wider cooperation agreement in 1978.

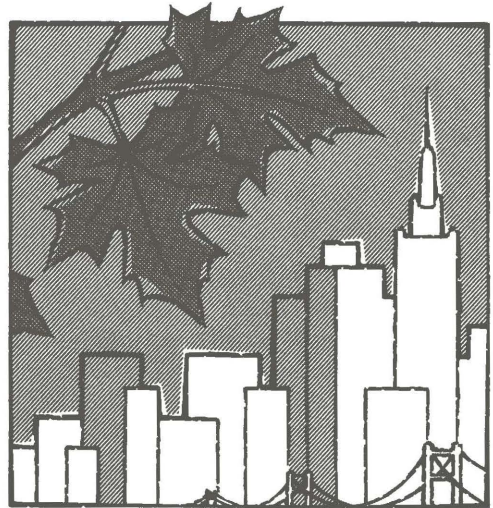


## North America

Post-war administrations in the **United States** have consistently supported the unification of Europe and seen the Community as the means to this end. The relationship between the two has been one of partnership and close cooperation. Twice a year the Commission holds high-level consultations with the US Administration covering bilateral and multilateral economic and commercial relations and issues such as energy, investment, industrial policy, the environment, relations with de-

veloping countries and the supply of raw materials. The Community also has agreements with the United States regarding the supply of nuclear fuels and for the exchange of scientific information in the fields of energy, research and development, and the environment.

Apart from the EFTA countries as a bloc the United States is the Community's most important single trading partner followed by Japan and Canada. The Community is the United States' most important partner (after Canada). In 1976, the Community exported goods worth £ 10 billion to the United States and took £ 15.6 billion worth of its exports.



Since 1976, the Community's relations with **Canada** have acquired a new dimension through the conclusion of a framework agreement for commercial and economic cooperation. The framework agreement embodies a unique approach: it is the first time that the Community has committed itself, on a non-preferential contractual basis, to economic and commercial cooperation with one of its major industrialized partners. The activities

developed under the framework agreement add to the traditional close contacts between both partners, and are monitored by twice-yearly wide-ranging consultations on bilateral and multilateral economic and commercial issues. The Community and Canada have also cooperated in the nuclear field since 1959 under the Euratom/Canada Cooperation Agreement.



### Japan

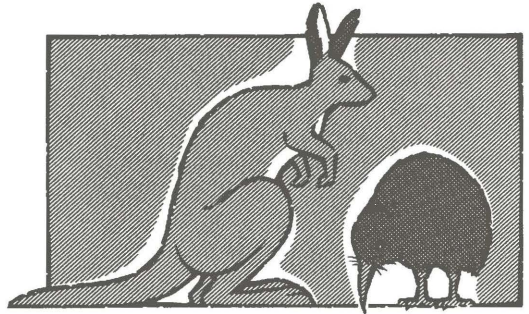
Since 1975 there has been a regular dialogue between the Community and Japan, mainly involved with commercial problems. Until the early 1970s, trade between the two was relatively unimportant and was roughly in equilibrium. But by 1977 Japan enjoyed a trade surplus of £ 3 466 million with the Community.

The Community is trying to correct this imbalance as well as extend consultation between the two to cover general economic, as well as trade matters. It is seeking voluntary restraints on Japanese exports to the Community in key sensitive areas as well as greater access to the Japanese market for Community goods. Some concessions have been made and the talks are continuing.



### Australia and New Zealand

Although it has begun to diversify its trade towards Asian countries, Australia is still an important trading partner for the Community and regular consultations take place between the two on matters of mutual interest relating to trade. Australian exports to the Community in 1975-76 were approximately £ 564 million. Imports from the Community were worth approximately £ 891 million.



In the decade or so before the United Kingdom joined the Community its share of New Zealand exports fell steadily. However, as a traditional supplier of dairy products to the United Kingdom that country's 'renegotiation' of its membership of the Community, concluded in 1975, contained special concessions for the continued import entry of New Zealand's dairy products and this arrangement has now been extended beyond 1977. In 1976, Community imports from New Zealand were worth £ 456 million, compared with exports of £ 331 million.





## *Developing Countries*

As one of the world's most developed regions with an economy that depends to a large degree on world trade, the Community has an interest in promoting closer links with the Third World and a responsibility to help develop its economies. In coordinating a unified approach among its Member States, many of whom have widespread traditional links with developing countries, the Community has evolved a number of policies that take both considerations into account.

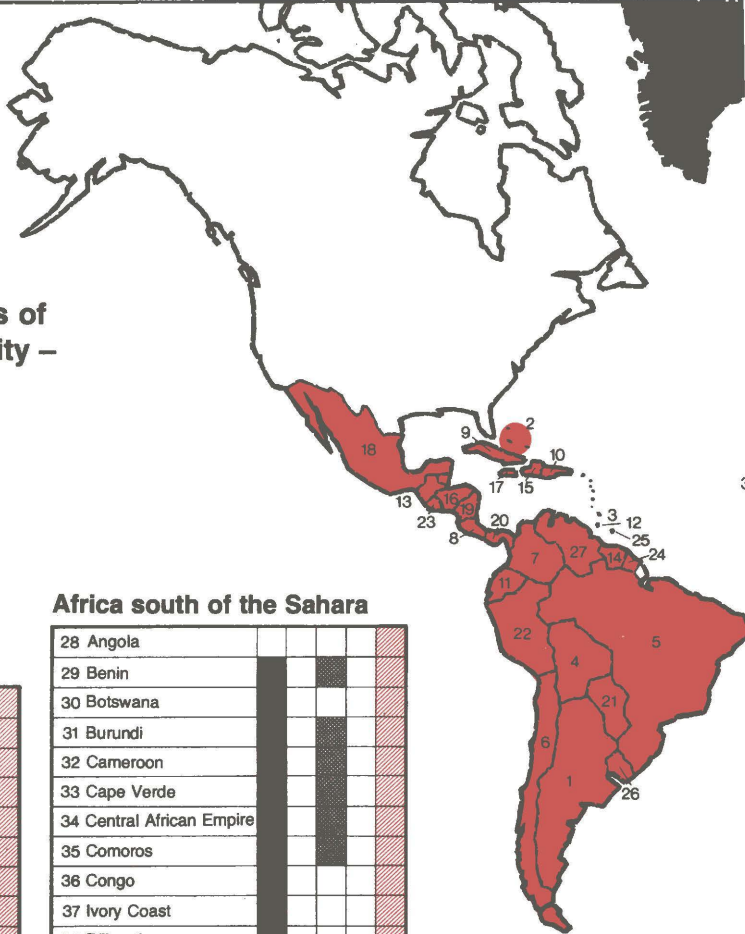
### **The Lomé policy**

The Lomé Convention, which brings together more than 500 million people, is a unique arrangement between developed and developing countries. This uniqueness rests on a number of distinctive factors:

- ▶ it is a contractual arrangement and the security it offers enables the developing countries to plan their economies with greater confidence;
- ▶ being global, it encourages regional and inter-regional cooperation. By its global nature, too, it is also non-aligned and embraces developing countries represented by governments of varying political persuasions which negotiated together;
- ▶ it is unprecedented in its scope and in the specific definition of its terms, which embrace financial aid, guaranteed access to markets, the stabilization of export receipts, special treatment for a number of products, industrial cooperation and so on;
- ▶ it gives the developing countries responsibility for establishing their priorities and for planning and carrying out schemes with Community assistance, thereby creating a relationship based on equality.



# The Principal Forms of European Community – Third World Relations



## Latin America

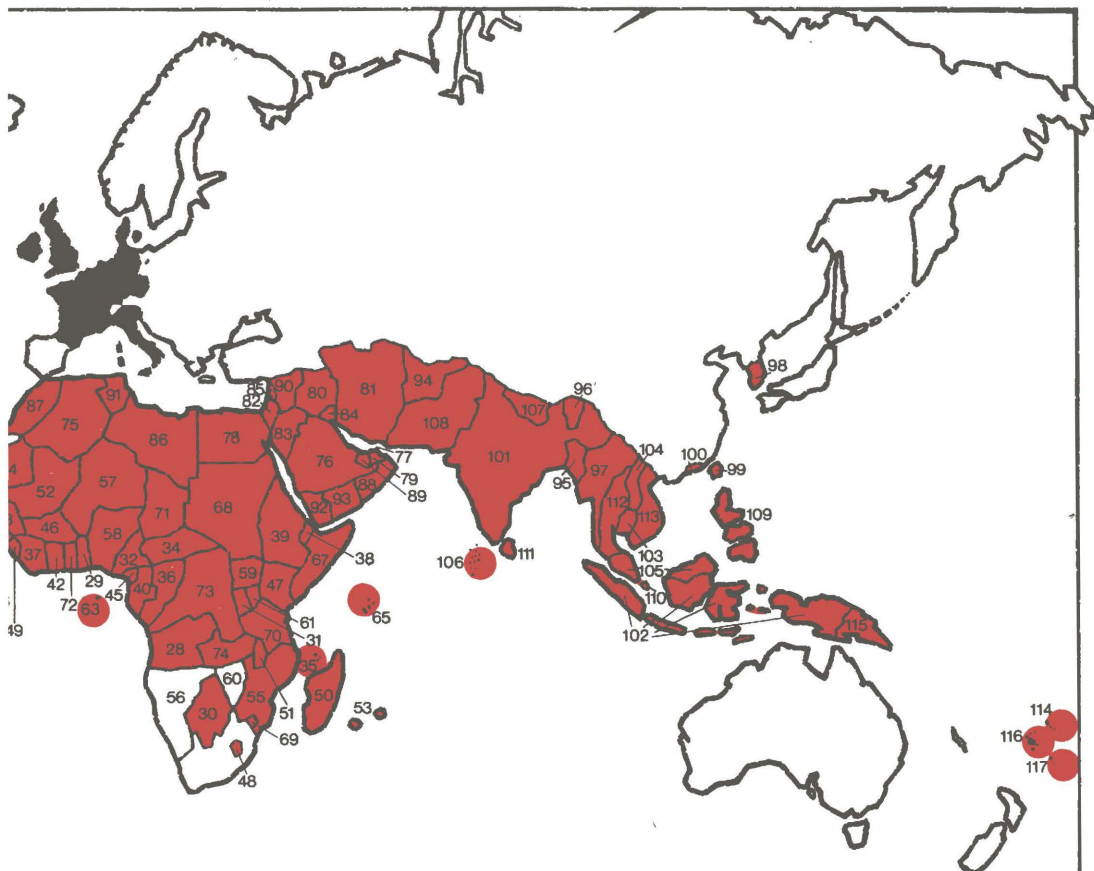
|                        |   |  |   |   |  |
|------------------------|---|--|---|---|--|
| 1 Argentina            |   |  |   |   |  |
| 2 Bahamas              | ■ |  |   |   |  |
| 3 Barbados             | ■ |  |   |   |  |
| 4 Bolivia              |   |  | ■ | ■ |  |
| 5 Brazil               |   |  |   |   |  |
| 6 Chile                |   |  | ■ |   |  |
| 7 Colombia             |   |  |   |   |  |
| 8 Costa Rica           |   |  |   |   |  |
| 9 Cuba                 |   |  |   |   |  |
| 10 Dominican Republic  |   |  |   |   |  |
| 11 Ecuador             |   |  |   |   |  |
| 12 Grenada             | ■ |  | ■ |   |  |
| 13 Guatemala           |   |  |   |   |  |
| 14 Guyana              | ■ |  |   |   |  |
| 15 Haiti               |   |  | ■ | ■ |  |
| 16 Honduras            |   |  |   |   |  |
| 17 Jamaica             | ■ |  |   |   |  |
| 18 Mexico              |   |  |   |   |  |
| 19 Nicaragua           |   |  |   |   |  |
| 20 Panama              |   |  |   |   |  |
| 21 Paraguay            |   |  |   |   |  |
| 22 Peru                |   |  | ■ |   |  |
| 23 Salvador            |   |  | ■ |   |  |
| 24 Surinam             | ■ |  |   |   |  |
| 25 Trinidad and Tobago |   |  |   |   |  |
| 26 Uruguay             |   |  | ■ |   |  |
| 27 Venezuela           |   |  |   |   |  |

## Africa south of the Sahara

|                           |   |  |  |   |  |
|---------------------------|---|--|--|---|--|
| 28 Angola                 |   |  |  |   |  |
| 29 Benin                  | ■ |  |  | ■ |  |
| 30 Botswana               |   |  |  |   |  |
| 31 Burundi                |   |  |  | ■ |  |
| 32 Cameroon               |   |  |  |   |  |
| 33 Cape Verde             |   |  |  |   |  |
| 34 Central African Empire |   |  |  |   |  |
| 35 Comoros                |   |  |  |   |  |
| 36 Congo                  |   |  |  |   |  |
| 37 Ivory Coast            |   |  |  |   |  |
| 38 Djibouti               |   |  |  |   |  |
| 39 Ethiopia               |   |  |  | ■ |  |
| 40 Gabon                  | ■ |  |  |   |  |
| 41 Gambia                 |   |  |  | ■ |  |
| 42 Ghana                  |   |  |  |   |  |
| 43 Guyana                 |   |  |  |   |  |
| 44 Guinea-Bissau          |   |  |  | ■ |  |
| 45 Equatorial Guinea      |   |  |  |   |  |
| 46 Upper Volta            |   |  |  | ■ |  |
| 47 Kenya                  |   |  |  |   |  |
| 48 Lesotho                |   |  |  |   |  |
| 49 Liberia                |   |  |  |   |  |
| 50 Madagascar             |   |  |  | ■ |  |
| 51 Malawi                 |   |  |  |   |  |
| 52 Mali                   | ■ |  |  |   |  |
| 53 Mauritius              |   |  |  |   |  |
| 54 Mauritania             | ■ |  |  |   |  |
| 55 Mozambique             |   |  |  | ■ |  |
| 56 Namibia                |   |  |  |   |  |

|                          |  |   |  |   |  |
|--------------------------|--|---|--|---|--|
| 57 Niger                 |  | ■ |  | ■ |  |
| 58 Nigeria               |  |   |  |   |  |
| 59 Uganda                |  |   |  |   |  |
| 60 Rhodesia              |  |   |  |   |  |
| 61 Rwanda                |  |   |  |   |  |
| 62 Sahara                |  |   |  |   |  |
| 63 Sao Tome and Principe |  |   |  |   |  |
| 64 Senegal               |  |   |  | ■ |  |
| 65 Seychelles            |  |   |  |   |  |
| 66 Sierra Leone          |  |   |  |   |  |
| 67 Somalia               |  |   |  |   |  |
| 68 Sudan                 |  |   |  |   |  |
| 69 Swaziland             |  |   |  |   |  |
| 70 Tanzania              |  |   |  |   |  |
| 71 Chad                  |  |   |  |   |  |
| 72 Togo                  |  |   |  |   |  |
| 73 Zaire                 |  |   |  |   |  |
| 74 Zambia                |  |   |  |   |  |





**Mediterranean and Middle East**

|                        |  |  |  |  |
|------------------------|--|--|--|--|
| 5 Algeria              |  |  |  |  |
| 6 Saudi Arabia         |  |  |  |  |
| 7 Bahrain              |  |  |  |  |
| 8 Egypt                |  |  |  |  |
| 9 United Arab Emirates |  |  |  |  |
| 10 Iraq                |  |  |  |  |
| 11 Iran                |  |  |  |  |
| 12 Israel              |  |  |  |  |
| 13 Jordan              |  |  |  |  |
| 14 Kuwait              |  |  |  |  |
| 15 Lebanon             |  |  |  |  |
| 16 Libya               |  |  |  |  |
| 17 Morocco             |  |  |  |  |
| 18 Oman                |  |  |  |  |
| 19 Qatar               |  |  |  |  |
| 20 Syria               |  |  |  |  |
| 21 Tunisia             |  |  |  |  |
| 22 Yemen (A.R.)        |  |  |  |  |
| 23 Yemen (P.D.R.)      |  |  |  |  |

**Asia excluding Middle East**

|                 |  |  |  |  |
|-----------------|--|--|--|--|
| 94 Afghanistan  |  |  |  |  |
| 95 Bangladesh   |  |  |  |  |
| 96 Bhutan       |  |  |  |  |
| 97 Burma        |  |  |  |  |
| 98 South Korea  |  |  |  |  |
| 99 Taiwan       |  |  |  |  |
| 100 Hong Kong   |  |  |  |  |
| 101 India       |  |  |  |  |
| 102 Indonesia   |  |  |  |  |
| 103 Cambodia    |  |  |  |  |
| 104 Laos        |  |  |  |  |
| 105 Malaysia    |  |  |  |  |
| 106 Maldives    |  |  |  |  |
| 107 Nepal       |  |  |  |  |
| 108 Pakistan    |  |  |  |  |
| 109 Philippines |  |  |  |  |
| 110 Singapore   |  |  |  |  |
| 111 Sri Lanka   |  |  |  |  |
| 112 Thailand    |  |  |  |  |
| 113 Vietnam     |  |  |  |  |

- Lomé Convention (ACP States)
- ▨ Agreements with Mediterranean Developing Countries
- Food Aid
- Financial Cooperation with other Developing Countries
- ▨ Generalised Preferences

**Oceania**

|                      |  |  |  |  |
|----------------------|--|--|--|--|
| 114 Fiji             |  |  |  |  |
| 115 Papua New Guinea |  |  |  |  |
| 116 Western Samoa    |  |  |  |  |
| 117 Tonga            |  |  |  |  |

What exactly does the Lomé Convention offer the Third World signatories, whose number has now risen to 53?

In the area of trade and cooperation, 99.4 % of the ACP products can enter the Community duty free except for agricultural products for which the Community has joint marketing organizations. All the Community asks in return is to be given most-favoured-nation treatment which means that the ACP countries should not discriminate against it in relation to their other trading partners in the developed world. There is also a special protocol on sugar, which is of particular importance to some ACP countries, providing a guaranteed price on about 60 % of their total exports. It involves reciprocal guarantees of purchase and delivery of specified quantities of sugar and a semi-indexation of prices. The amount involved is 1.4 million tonnes of raw sugar (about 1 221 500 tonnes of white sugar). The price offered for this sugar must be within the range of prices for sugar in the Community. The system has been in operation for the 1975–76 and 1976–77 seasons and has had a stabilizing effect compared with the wild fluctuations in the world market in recent years.

An innovation of the Lomé Convention is the Stabex system which is designed to protect the ACP countries against price fluctuations of commodities on which they depend. A list of key commodities, principally agricultural, has been drawn up; when an ACP country's earnings on any one of them falls below an agreed reference level a compensation fund advances it the difference. The country concerned repays this to the fund when the situation improves, but the poorest of the ACP (half of them) need not do so. This system of insurance against bad years guarantees the ACP countries, which often depend almost exclusively on a single product, that their earnings from commodities covered by Stabex are assured, thereby enabling them to plan their economies with more confidence. The Stabex system has an allocation of £ 150 million for the first five years of the Convention.

The Stabex money is part of the European Development Fund (EDF) which has £ 1 240 mil-

lion at its disposal for financial and technical cooperation, of which £ 840 million is in the form of grants, £ 172 million for loans at special rates and £ 38 million for risk capital. In addition there is a special fund of £ 60 million to help ACP countries in the event of natural disasters. The Convention also supports regional and inter-regional cooperation and around 10 % of the funds available are reserved for projects of this type. There is outside the EDF a further £ 156 million in loans available from the European Investment Bank for which the EDF lowers the interest. Outside the funds for the ACP there are £ 64 million available for the French Overseas Countries and Territories Réunion, French Guinea, Martinique and Guadeloupe).

The Community is determined to help develop and diversify ACP industrial production. This involves the development of research and technology, information exchange, the establishment of contact between firms and so on. These activities are being directed by a Committee on Industrial Cooperation and carried out by a Centre for Industrial Development.

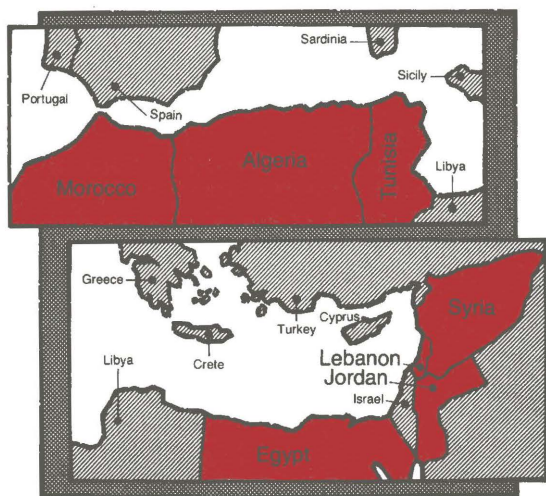


## The Mediterranean

In accordance with an overall Mediterranean policy adopted by the Council of Ministers in 1972 a series of agreements has been negotiated with all States in the region. These are designed to establish a vast industrial free-trade area complemented by industrial cooperation and financial assistance to these countries by the Community.

The first of these arrangements was signed in 1976 with the Maghreb States – Morocco, Algeria and Tunisia. These cooperation agreements open a vast field of action for economic, technical, financial and institutional cooperation; marketing and sales promotion; encouragement of private investments and long-term contracts for the delivery of petroleum products.





Over the first five years, the Community's financial contribution to these countries will be around £ 160 million in the form of loans and grants. Their raw materials and industrial products can enter the Community free of customs duties and quotas and most of their agricultural produce receive tariff concessions.

Similar agreements have since been signed with the Mashreq States – Egypt, Syria, Jordan and the Lebanon. The financial aid involved up to 1981 will be more than £ 120 million.

Beyond specific links with a number of Arab countries, an important development is that the Community as a whole is engaged in the Euro-Arab Dialogue. This brings together the Community of 260 million people and, through the League of Arab States, the whole of the Arab World of 120 million people. This is an important forum for both sides.

In 1976, the Community's exports to Arab League countries represented 13.5 % of total exports. This was more than exports to the United States and Japan combined. In the same year, the Community's imports (mainly oil) from these countries represented about 20 % of total imports, again higher than imports from the United States and Japan. The Community is also the Arab League's biggest trading partner.

The Dialogue proceeds mainly at the level of joint working parties of experts which meet in European and Arab capitals at intervals. The talks cover agriculture and rural development, industrialization, basic infrastructure, financial cooperation, trade, scientific and technological cooperation, cultural, labour and social questions.

The global Mediterranean policy also applies to Israel, with which the Community has a preferential trade agreement which was broadened in 1976 to include economic co-operation. Both sides are moving towards a free trade area which will come into being fully in 1985.

The Community is also in the process of establishing a customs union with Malta and Cyprus.

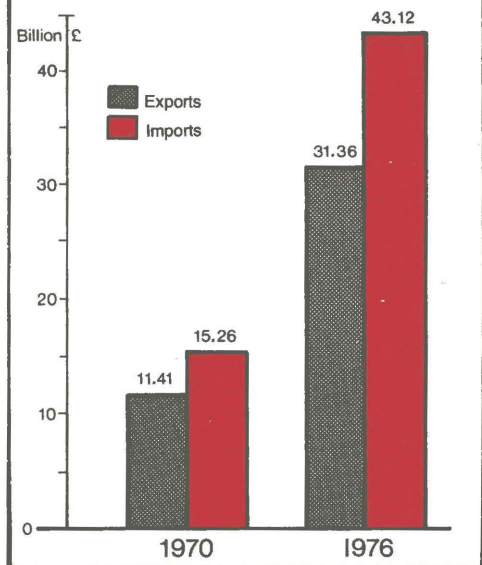


### Generalized System of Preferences

In addition to its commitments, under the Lomé Convention and the preferential agreements, the Community operates a generalized system of preferences which it extends to all developing countries of the so-called Group of 77. It involves selected tariff reductions on imports into the Community of agricultural products and duty-free entry for manufactures and semi-manufactures subject to certain quantitative limitations. The Community was the first in the world to operate this system on such a comprehensive basis and it is expanding yearly. For 1978, the theoretical value of goods qualifying for concessions under the system is an estimated £ 3 968 million, of which £ 3 162 million is for semi-manufactures and manufactures and £ 806 million for processed agricultural products. This represents tariff exemptions worth more than £ 217 million.



## Community Trade with the Developing Countries



### General development aid

While the Community's development aid has its limitations, it has been increasing and its approach has encouraged other developed countries to redefine their policy towards the Third World, notably in the North-South Dialogue between industrialized and developing countries which is concerned with establishing a new world economic order.

By coordinating the aid given by Member States the Community has helped make that aid more effective. Above all, by committing itself to contractual arrangements like the Lomé Convention it has given security to the developing countries and has placed the relationship with them on a new footing based on equality.

Apart from trade, the Community and its Member States are the biggest source of official aid to the developing countries, contributing 44 % of the world total in 1975. In 1974, the nine Member States began the process of

harmonizing their development aid policies and agreed to allocate 0.7 % of their GDP to development aid.

One of the most disastrous effects of the 1973-74 economic crisis was that it put those developing countries which had no raw materials in a desperate position. Because of this, the Community, in March 1974, proposed that a world emergency fund be set up with £ 1 304 million worth of resources to help the worst-hit developing countries. This was adopted the following month at the United Nations. Within a year, the Community had contributed more than £ 316 million (as against the £ 217 million envisaged as its contribution). This amount was made up of £ 127 million contributed by the Community as such and a further £ 187 million by the Member States.

The Community has also started a programme of development aid for non-associated countries in Asia and Latin America. □

### Food aid

The European Community has been involved in food-aid operations since 1968, first of all with cereals and, since 1970, with other products (milk powder, butteroil, sugar, egg powder). Total cereal aid has amounted to 9.2 million tonnes, worth some £ 440 million, including national aid from individual Member States. Specific aid for other products comes to £ 226 million.

Community food aid falls into two categories, emergency aid and normal aid. Emergency aid is reserved for famines following natural disasters (drought, floods, earthquakes, etc.). In such situations, the Community takes responsibility for supplying the goods, the cost of transport and free distribution to the affected population. Normal aid consists of produce supplied free of charge but the cost of transport and distribution is the responsibility of the receiving country. Aid was given to a steadily increasing number of countries, rising from eight in 1968 to 51 at present. The value of this aid in 1977 was more than £ 92 million. □



## Latin America

In 1971 the Community and 22 Latin-American countries formed the Latin-American Coordination Committee and the Community has unofficially advised both the Central-American Common Market, the Andean Group and the Latin-American Free Trade Area on the technicalities of economic integration. The Community helps promote Latin-American exports to Europe and it has non-preferential trade agreements with Argentina, Brazil and Uruguay, and an economic and commercial cooperation agreement with Mexico. All Latin-American countries are beneficiaries of the Community generalized system of preferences. In addition, several of them benefit from Community food aid and Community financing of agricultural development projects.



## Asia

The Community has, with very few exceptions, active relationships with all of the countries of Asia in regard to both trade and economic cooperation and it extends food aid and technical and financial assistance to most of these countries. Practically all of the developing countries of Asia are beneficiaries of the generalized system of preferences. The Community has concluded commercial cooperation agreements with India, Bangladesh, Pakistan and Sri Lanka. A similar cooperation arrangement is in operation with the Association of South-East Asian Nations (ASEAN) – Indonesia, Malaysia, Philippines, Singapore and Thailand.



# *State-Trading Countries*

## Eastern Europe

Relations between the Community and the East European State-trading countries have not always been easy, largely because of the unwillingness of the latter to have normal dealings with the Community or to recognize the political, economic and legal realities on which it is based.

The Community for its part has for several years expressed its readiness to enter into negotiations with these countries. More particularly, the Community's commitment to working for increased economic cooperation between the eastern and western halves of our continent was demonstrated by its signature of the Helsinki Final Act in August 1975.

In November 1974, the Community proposed to each of the State-trading countries that negotiations should begin with a view to concluding trade agreements. In view of the continued reluctance of the State-trading countries to respond to this proposal, the Community has sought meanwhile to ensure a continuation in the traditional flow of trade pending the opening of normal trade relations. It has unilaterally opened import quotas for each State-trading country and these lists are revised each year.

The Community has also entered into a series of sectoral negotiations with a number of State-trading countries. For example, an agreement between the Community and Romania covering trade in textile products was concluded recently, while similar negotiations with Poland and Hungary are under way. Negotiations for the conclusion of framework agreements on fishing rights were initiated in 1977 with the Soviet Union, Poland and East Germany, but have not produced concrete results.

Relations between the East European economic group Comecon and the Community reached a new stage in May, 1978, with the visit to Moscow of a high-level Community delegation led by Mr Wilhelm Haferkamp, Vice-President of the Commission responsible for External Relations. In September, 1977, there had already been a meeting between the President of the Comecon Executive Committee and a delegation of the Community, during which it was agreed to enter into negotiations in the first half of 1978 for the conclusion of an agreement. This meeting was the culmination of converging initiatives which have been taken by both sides and which included a visit to Moscow in February 1975 of a delegation from the European Commission and the submission by both sides during 1976 of proposals for an agreement between the two organizations.

The Community's trade with the Comecon countries is substantial. In 1976 it exported goods worth £ 7 718 million to them and imported £ 6 974 million worth. □

## China

In 1975 the People's Republic of China accredited an ambassador to the Community, a move which was to herald closer trading and other links. In July 1977, a team of senior Commission officials held talks with Chinese officials in Peking designed to lead to the conclusion of a trade agreement. In November 1977, the Council authorized the Commission to open formal negotiations on a trade agreement with China and in February 1978, these resulted in a five-year non-preferential trade agreement which is expected to increase trade considerably. This is the first agreement of its kind between the Community and a State-trading country. □

Trade between the Community and the People's Republic of China has already been increasing steadily. The Community's exports to China have risen in value from £ 285 million in 1970 to £ 641 million in 1976. In the same period China's export rose from £ 215 million to £ 531 million. ■

## International Organisations

Through its position as an international trade negotiator, as well as through its economic cooperation and food aid programmes, the Community has progressively gained international stature and recognition in its own right.

All Community countries are members of the United Nations, the International Monetary Fund, GATT and the OECD. However, the Community still lacks a uniform identity at international meetings. In the GATT, the Commission negotiates on behalf of the Community; at the United Nations and in UNCTAD, the United Nations conference on Trade and Development, and other specialized UN agencies the Community is an observer; in the Conference on International Economic Cooperation, held in the context of the so-called 'North South Dialogue', the Community delegation, composed of Member States and the Commission, spoke with one voice. □

## Political cooperation

Through meetings held in the framework of political cooperation which is a virtually permanent exercise at the level of 'experts', and which is brought to the level of the nine Foreign Ministers several times a year, there has been a growing coordination of foreign policy.

Among the most notable achievements of this coordination has been the common Community negotiating position in the Conference on Security and Cooperation in Europe which led to the Helsinki Final Act, as well as the development of a single Community 'voice' at international gatherings like the United Nations. ■



# Enlargement and the Future

Probably at no juncture in its short history has the Community faced so many challenges of such magnitude and of such variety as it does at present. It must prove itself capable of meeting them, not just to preserve what it has already achieved but to enable it to move on to the next stage of its development. If it responds successfully, it can convert these challenges into opportunities.

A further enlargement is clearly a step that cannot be taken lightly nor without adequate preparation. On the political side, the decisions of Greece, Portugal and Spain to seek membership are important for both parties. For the applicants, the Community represents a buttress for their fledgling democracies. For the Community, enlargement is an opportunity to extend itself to, and consolidate itself in, its proper European dimension.

However, on the economic side, there is a qualitative difference. In 1973, the Community was enlarged to include three countries whose economies were broadly similar to those of the Six and therefore could be assimilated easily. The gap between the present applicants and the Nine is much more pronounced. The GNP of Spain and Greece is around half the Community average and one-third that of its richest Member States, while Portugal's position is even weaker. All three countries have 'Mediterranean' agriculture industries which are already the source of concern in the southern part of the Community. Such considerations raise not only the question of how easily the Community can absorb these three economies without damaging its own, but also to what extent the three applicant countries

can survive economically within a competitive common market.

In the coming months, therefore, as the Community deals with the Spanish and Portuguese applications, and as the negotiations for Greek entry continue, means must be found to help bridge the economic gaps between the applicants and the Community to enable them to become viable members when negotiations are completed. At the same time, the economic problems of the Mediterranean regions in general must be tackled and regional disparities which already exist within the Community must be reduced. Otherwise, enlargement will simply further imbalance an already lopsided situation which is a threat to the cohesion of the Community and to its future development.

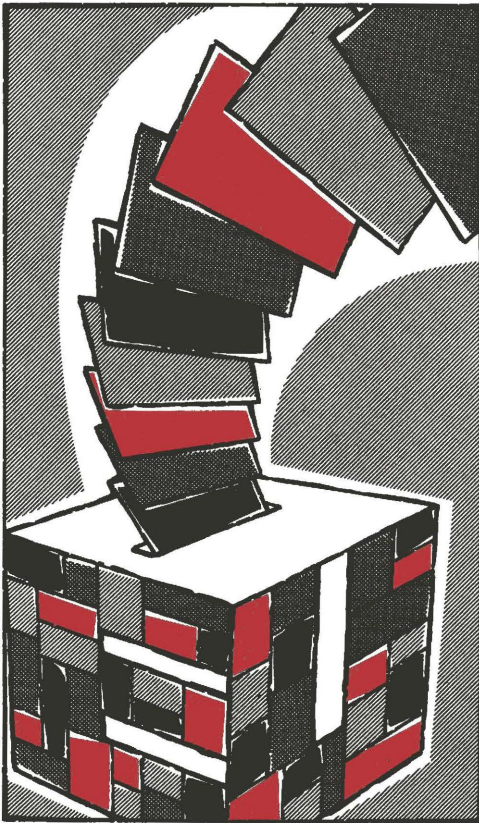
If the Community is to be in a position to absorb a successful enlargement it must regain some of its dynamism and strengthen its process of integration. While it cannot be denied that the addition of Greece, Portugal and Spain would mean additional economic problems, the prospect of their accession can provide just the spur the Community needs to accelerate the process of integration.

The next logical stage of the Community's development is the achievement of Economic and Monetary Union. Equality of economic performance, while desirable, is not a prerequisite for such a union. Disparities already exist between different regions within Member States without endangering their cohesion, as long as they are evened-up by financial transfers. Such unions have worked to the benefit of rich and poor areas in the past.

Enlargement is not a bar to economic and monetary union. On the contrary, it makes it essential. Unless the Community continues its development – and EMU is the next important stage of that development – enlargement may coincide with stagnation and even a dilution of what has been achieved to date.

While a directly-elected European Parliament will give the Community's citizens a much greater say than they have now in day-to-day

Community decisions which increasingly affect their lives, it will be even more important in mobilizing political opinion on major issues such as enlargement and EMU. If the Community is to make this kind of qualitative leap forward it must have active political support. This can best be achieved if the issues involved are openly debated in a Community political forum and decisions reached with the involvement and the consent of the people through their political representatives.



The staging of direct elections will not in itself entail an increase in Parliament's powers. Yet the very prospect of these elections has already enhanced Parliament's stature in its dealings with the Community's other institutions and its opinions are already beginning to carry more weight. A Parliament of 410 members who represent the direct preferences of

the people will undoubtedly have far more impact in representing their views on the Community. But it will only have that impact if it is seen to command the interest and support of the people. It is therefore important that the turn-out among the 180 million voters is as large as possible.

A strong parliament is an essential component of any democracy. This is as true for the Community as a whole as it is for its individual Member States. Internally, the Community needs sound democratic foundations on which to develop its policies. So many decisions that affect our everyday lives are now taken at Community level that national parliaments are no longer capable of exercising a sufficient degree of democratic control over the Community's decision-making. Externally, the Community needs impeccable credentials if it is to play an important role in promoting its own democratic ideals. It will be easier for the Community to speak with one voice, and that voice will carry far more weight, if it can genuinely claim to represent the democratic will of its citizens.

The creation of European union remains the Community's ultimate goal. How long it will take, or in what shape it will finally emerge, is still far from decided. One thing that is clear, however, is that it will not be achieved without the political support of the people of Europe. In the final analysis, it will be they who decide when, and in what form, that goal will be reached. The forthcoming direct elections represent a vital first stage in the creation of a core of broadly-based Community political opinion that will shape the future European union.





## A Brief Chronology

- 1950 9 May**  
French Foreign Minister Robert Schuman proposes a European Coal and Steel Community (ECSC)
- 1951 18 April**  
The Treaty establishing the ECSC is signed in Paris
- 1952 10 August**  
The High Authority – the executive body of the ECSC – takes office, with Jean Monnet as President
- 1953 10 February**  
The common market for coal, iron ore and scrap is established
- 1 May**  
The common market for steel is established
- 1957 25 March**  
The Treaties establishing the EEC and Euratom are signed in Rome
- 1958 1 January**  
The first tariff reduction (10 %) within the common market
- 1961 10 February**  
EEC Heads of State or Government decide on closer political cooperation
- 9 July**  
The EEC-Greece Association Agreement is signed
- 1962 14 January**  
The EEC Council agrees on the first four agricultural market organizations.
- 1963 12 September**  
The EEC-Turkey Association Agreement is signed
- 1964 4 May**  
The Kennedy Round of worldwide tariff negotiations opens in Geneva: the EEC takes part as a single delegation
- 1965 8 April**  
The Treaty merging the ECSC, EEC and Euratom executives is signed. Takes effect 1 July 1967
- 1966 11 May**  
The Council adopts the remaining agricultural market organizations
- 1967 9 February**  
The Council agrees on the first medium-term economic policy programme and the introduction of a common value-added tax system
- 1968 1 July**  
The customs union between the six Member States is achieved; internal tariffs disappear
- 8 November**  
The common labour market – freedom of movement for workers – is established
- 1969 1 and 2 December**  
Economic and monetary union by 1980 is launched
- 31 December**  
The EEC's twelve-year transition periods ends
- 1970 30 June**  
Negotiations with the four applicant countries (United Kingdom, Ireland, Denmark, Norway) begin
- 19 November**  
First foreign policy consultation of the Community Foreign Ministers within the political cooperation framework
- 1971 9 February**  
The Council agrees on phased introduction of economic and monetary union
- 1 July**  
The Community introduces generalized tariff preferences in favour of 91 developing countries

**1972 25 September**

Norwegian referendum goes against joining the Community

**19 and 20 October**

The Heads of State or Government – now nine in number – meet in Paris and decide to set up a European Union by 1980, adopting a new programme of Community policy

**1973 1 January**

The Treaties on the accession of Denmark, Ireland and the UK to the Community enter into force. The Community finally acquires overall responsibility for the common commercial policy of the nine Member States

**19 March**

The Community countries form a single exchange-rate system and float their currencies together against other currencies

**1974 31 July**

A dialogue is opened between the Community and twenty Arab States

**10 and 11 December**

Summit takes the following decisions:

- (1) Heads of Government to meet three times a year as the European Council
- (2) Direct elections to the European Parliament from 1978
- (3) Creation of a passport union
- (4) Community Regional Fund

**1975 28 February**

Lomé Convention signed

**11 May**

Trade and commercial cooperation agreement with Israel signed

**5 June**

A two-thirds majority of the British people vote in favour of staying in the Community

**12 June**

Greece applies for Community membership

**15 September**

The Community is formally recognized by the People's Republic of China

**1976 25, 26 and 27 April**

Comprehensive cooperation agreements signed with the Maghreb States – Tunisia, Algeria and Morocco

**6 July**

The Community and Canada sign a framework agreement for commercial and economic cooperation

**10 December**

Negotiations on Greek application for membership begin

**1977 1 January**

Community declares 200-mile fishing limit

**18 January**

A comprehensive cooperation agreement with the Mashreq States – Egypt, Jordan and Syria – is signed. Later with Lebanon

**28 March**

Portugal applies for membership

**1 July**

Customs union of Nine completed  
Free-trade area with EFTA finalized

**28 July**

Spain applies for membership

**31 December**

Transitional period for Denmark, Ireland and the United Kingdom ends

**1978 3 February**

Five-year trade agreement with People's Republic of China initialled

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