



## **Jumbo Council on Economic and Social Affairs**

A joint Council meeting of both the Economic and the Social Affairs Ministers—dubbed the Jumbo Council—met in Brussels on November 16. The Commission had submitted for their attention a policy statement jointly drawn up to reflect the views of Social Affairs Commissioner, Ivor Richard, and Economic Affairs Commissioner, Vice President François-Xavier Ortoli.

The central theme to the statement is that:—

“Europe’s most pervasive problem is now the high and growing level of unemployment. Given the severity of the current recession and the recent sharp aggravation of unemployment, economic and social policy in the Community should be geared even more directly towards the creation of an economic environment more favourable to employment creation.”

The paper sets out a series of proposed E.C. initiatives on the economic and social fronts to tackle the unemployment problem. The jobless crisis, according to the paper, has deteriorated since mid-1981, despite the efforts of an earlier Joint Council—held in June last year—to develop a coordinated economic and social policy approach. Since then, however, “anxieties have increased rather than allayed”, and the need for policies leading to a stronger social consensus has strengthened. Over the last year, unemployment has risen sharply, Community growth has stagnated, and investment has sagged.

In view of this situation, the Commission paper recommends the Joint Council 13 consider policies which may be summarised under the following three headings:

- A) strengthening the economic environment;
- B) reorganisation of working time;
- C) improvement of employment opportunities for young people.

### **A) Strengthening the Economic Environment**

The main objective of economic and social policy must be the re-creation of such economic conditions that enterprises are prepared to invest and to absorb the increased labour force in profitable and competitive jobs. The Commission therefore considers it “necessary to construct the basis for investment-led growth through, notably, initiatives aimed at improving international economic and financial stability, at increasing convergence and stability within the Community while achieving the best possible level of activity, and at promoting structural change and expansion of investment in the medium term.”

**Internationally**, the Community, acting on the basis of the European Monetary System, must ensure effective monetary cooperation with the USA and Japan aimed inter alia at reducing interest rates. In addition, to prevent the “real risk of a cumulative downturn in world trade”, the Community should help provide intermediate financing to support adjustment policies, and should in particular, support increases in the resources available to the IMF and the World Bank.

As regards increasing convergence and stability *within the European Community*, a series of measures should be undertaken. EMS mechanisms should be strengthened. On the budgetary front, with the aim of freeing resources for high priority expenditure, the Commission reinforces its call for better control of expenditure overall.

**On medium-term policy and structural change**, Community-wide efforts must be made to increase the share of investment of GDP. Amongst other things this implies “the adaptation of indexation mechanisms with a view to excluding factors outside corporate control”. It also implies that “public



*EC Commissioner, Ivor Richard—responsible for employment and social affairs.*



*EC Vice President, François-Xavier Ortoli—responsible for economic and practical affairs*

authorities have a particular responsibility in the field of investment” and that “public investment should be directed towards the stimulation of investment and employment growth in the private sector”. In addition, the Commission has also recently approved a proposal for a new 3 billion ECU tranche of the New Community Instrument (NIC 3) for financing investment in key sectors.

### **B) Reduction and Reorganisation of Working Time**

“A more efficient organisation of work resulting from some reorganisation of working time possibly in combination with a reduction in working hours can lead to an increase in employment”. This contribution to the reduction of unemployment, however, can be more effective where the competitive position of the firm is not impaired, and where the skills required of the labour-force are not usually specialised.

“Greater flexibility in the organisation of working-time will become increasingly necessary to enable industry to adapt to the requirements of new technology, in particular making it possible to establish longer production schedules. . . . .”

“The progressive reduction in the annual volume of working time is not, therefore, just an end in itself, as was the case during periods of economic growth, but can also be a means of redistribution of opportunities for employment”.

Any reduction in unemployment resulting from the organisation of

working time will in turn, states the Commission, “mean lower expenditure on social benefits and transfers and increased tax receipts.” Governments could therefore consider to what extent they might share in the costs of launching new working time arrangements. They should also seek to remove legal or other obstacles to a more flexible organisation of working time.

### **C) Special Measures to Increase Employment Opportunities for Young People**

Young people—representing 40%, or 4 million, of the Community’s unemployed—are among the main victims of the recession, and many young people leaving school see little prospect of ever getting a foothold in the labour market. Strengthening training facilities is thus essential, and the Commission has been a principal instigator of a Community-wide social guarantee. But training is not all: however important training policies may be, their credibility in the eyes of the young will depend on the subsequent availability of employment.

The Commission considers therefore that special measures to promote the recruitment of young people and to increase the volume of employment opportunities for them are justifiable if today’s younger generation is to retain the capacity to contribute to economic recovery. Radical revision of existing attitudes to job creation is necessary.

The Ministers, after the day of discussions, placed greater emphasis

in their final Council Communiqué on economic recovery measures than on specific social actions; thus reflecting the view that the goals of reducing unemployment (currently at 11.5 million or 10.3% of the EEC workforce) and that of increasing investment can best be achieved by re-establishing economic and financial stability and by spurring the profitability and competitiveness of European industry.

## **EC Statement on the I.A.E.A. Annual Report**

The following is the statement made to the 37th General Assembly by the Representative of Denmark, Ambassador Peter Michaelsen, on behalf of the Ten Member States of the European Community on the annual report of the International Atomic Energy Agency (I.A.E.A.);—

“On behalf of the Ten Member States of the European Community, I should like to thank the Director General of the International Atomic Energy Agency for his interesting and informative annual report on the work of the agency in 1981.

Also, I would like to express my appreciation of the comments the Director General has given on the development in the agency during 1982. We were particularly pleased to hear his remarks on the need for an atmosphere of cooperation in the agency. IAEA has a long record of concentrating on the real issue within its mandate and avoiding confrontation over extraneous political topics. This is what has made it in effective organization.

However, attempts in recent years to withhold acceptance of the credentials of Member States for reasons which are not in accordance with the statute and the rules

of procedure have in the opinion of the Ten, the effect of generating an atmosphere of divisive controversy detrimental to the conduct of the work of the agency, and contrary to its aims and purposes. The Ten find this to be unfortunate and share the view likewise expressed by the Director General that the political principle of universality of membership is based on the premise that the agency's functions require a universal approach and that its objectives can only be achieved through co-operation of all States. Our Governments trust that such events and other developments will strengthen the determination of all parties to take fully into consideration the special nature of the agency and to reduce the level of political controversy in such a way that full attention and priority can be given to those specialized matters falling within the agency's mandate.

Turning to the annual report for 1981, I would like first of all to express the full support of the Ten Member States of the European Community to the objectives of the IAEA of enlarging the contribution of nuclear energy to peace, health and prosperity throughout the world and of reducing the risk of proliferation.

It was noted in the annual report that in 1981 the share of nuclear power in the world's total electricity production has risen to 9% and is expected to reach 20% by the end of the decade. This makes us expect that the IAEA will have an increasing role to play as an international mechanism for interaction between Governments.

This will be the case, particularly for the three main concerns of the public in connection with the use of nuclear power which—as pointed out by the agency's annual report—are: the safety of nuclear reactors, the disposal of radioactive waste and the risk of nuclear proliferation.

The Ten are confident that the growing involvement of the IAEA in the field of nuclear safety will prove most useful and we are convinced that new initiatives in this field, such

as the decision to issue an annual review of nuclear safety, may make important contributions towards implementation of improved safety.

Of no less importance will be efforts to find satisfactory and convincing solutions to the problems connected with management and disposal of radioactive waste. The agency can and should play a leading role in pooling and publishing information on new technical solutions in this field.

During the last decade IAEA's safeguards system has developed rapidly, and has become a cornerstone in international nuclear cooperation by verifying compliance with commitments made and on a wider scale by creating confidence on a global basis between countries. It may be taken as a sign of a greater public awareness of the role of the safeguards system that it was made subject to more detailed comments last year. At the same time, however, events occurred that represented an attack on the safeguards system.

The Ten would like to reaffirm their confidence in the IAEA safeguards system and their support for the acceptance of IAEA safeguards by all Member States on all their peaceful nuclear activities. We recognize the need for continuously improving safeguard efficiency and the desirability of a geographical extension of the safeguard inspection coverage.

The agency in its report for 1981 concludes that the nuclear material under its safeguards remained in peaceful activities or was otherwise adequately accounted for. Yet in certain cases the agency pending implementation of certain technical measures, did not find itself in a position to perform adequate verification. This situation is one of grave concern and we consequently urge that it be remedied soon.

We appeal to those non-nuclear weapon states having nuclear facilities which are not under IAEA safeguards to put such facilities under safeguards in order to strengthen

endeavours to prevent proliferation.

The importance which the Member States of the European Community attach to the agency's regulatory activities applies equally to the agency's promotional programmes, in particular the technical co-operation programme. In spite of serious budgetary constraints at the national level the Ten continue to support the programme and note with satisfaction that the total resources available for technical assistance in 1981 rose by more than 15% to 24 mill. dollars. Besides contributing to the technical assistance fund a number of the 10 Member States of the European Community have also made substantial sources of funds available as well as assistance in kind.

We reaffirm our belief that the voluntary nature of contributions to the technical assistance fund has proved compatible with the desire for predictable and assured funds for technical assistance. The existence of an annual target and indicative planning figures for subsequent years has indeed given rise to a continued increase in the size of the technical assistance fund.

The developing countries also derive particular benefits from the agency's activities in the application of nuclear science in the field of agriculture and medicine. We appreciate the continuing role of the agency in this field, as well as in the field of nuclear physics through the very important activities carried out by the international centre at Trieste.

It is the firm wish of the Ten and the Community that the close cooperation which exists between the agency and the European Community continue to develop both in the field of safeguards and in other fields of peaceful nuclear activities of common interest.

The close relationship of assurance of non-proliferation and assurance of supplies has proved fundamental in many deliberations on measures to facilitate international nuclear trade and cooperation. In

the work undertaken in the Committee on assurances of supply the recognition of this relationship will be a decisive factor in the efforts to achieve a substantial result. The Ten also hope that the important work of the expert group on International Plutonium Storage will be pursued and that a positive outcome will be achieved.

Since we discussed this item at last year's General Assembly the IAEA has passed two noteworthy landmarks. Firstly, the agency has a new Director General, Dr. Hans Blix. I would like in this Assembly to welcome Dr. Blix to this very important and challenging function and to pledge our full support and cooperation in his tasks. We are confident of his ability to manage the IAEA satisfactorily during the years to come. Secondly, the IAEA in July 1982 completed the first quarter of a century of its existence. We see this as a proof of the agency's ability effectively to take charge of the many often difficult tasks that have been entrusted to it during the past 25 years.

In the years to come the tasks of the agency are not likely to become any less difficult. It is therefore of the utmost importance that all states strive for effective and harmonious cooperation in carrying out the work of the agency. Only by avoiding confrontation can we achieve our common goals of promoting the use of nuclear energy and science for peaceful purposes."

## **EC Annual Economic Report 1982 / 83**

The Commission of the EC has recently adopted its annual economic report which analyses the developments of 1982 and sets out its forecasts for next year.

### **Revised estimates for 1982:**

The report sharply revises its forecast for 1982, stating that the recovery expected in the second half of the year has not materialised; instead the European economies have entered the second phase of the double dip recession. "The likely outcome for 1982 is now approximate stagnation with a rise in the volume of the output in the EC of only 0.3%" (compared with a forecast 2% growth rate in last year's Annual report).

Inflation too has dropped more rapidly than expected. The Commission now forecasts an average rate of 10.5% this year (compared with last year's 11.2% forecast for 1982). The price rises of the major components making up that rate have decelerated correspondingly faster than previously expected; salaries are likely to rise 8.5% and import prices by 9.2%. Unemployment continues to rise and there is no sign that this rate of increase will slow down this year.

The EEC current account deficit is likely to fall slightly from \$20.8 billion in 1981 to just over \$15 billion for 1982.

National budget deficits remain high as low growth diminishes tax revenues but has increased unemployment benefits. On average the national deficit is likely to remain approximately 5% of GDP although there are large differences between Member States.

### **Prospects for 1983**

The report suggests a growth rate of 1.1% in 1983, based on an upturn in the second half of 1983. "The low growth forecast for 1983 is based on the anticipation that both private consumption and investment will pick up in the course of 1983 under the influence of lower inflation and falling interest rates." Inflation is in fact forecast to average 8.8% for 1983 within the Ten Member States. The lower than expected growth rates will tend to raise budget deficits. Unemployment is likely to rise to well over 12 million.

## **US/EC High Level Consultations**

High level talks were held in Washington on November 8-9 to discuss the state of the preparation of the GATT Ministerial Meeting (November 24-27), the agricultural aspects in the US/EC relations, East-West economic relations as well as the economic trends in the West and for the whole world.

At a joint press conference EC Vice-President Haferkamp and US Under-Secretary of State Wallis announced that the next EC/US ministerial level consultations will be held in Brussels on December 10, 1982, when the delegations will be led by EC President Gaston Thorn and US Secretary of State George Schultz.



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