

European Communities

EUROPEAN PARLIAMENT

Working Documents

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Report

drawn up on behalf of the Committee on Economic and Monetary Affairs

on the proposal from the Commission of the European Communities to the Council (Doc. 1-517/80) for a draft decision adopting the annual report on the economic situation in the Community and laying down the economic policy guidelines for 1981

Rapporteur: Mr J. MOREAU

By letter of 21 October 1980 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 4 of the Council decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a decision adopting the annual report on the economic situation in the Community and laying down the economic policy guidelines for 1981.

This proposal was referred to the Committee on Economic and Monetary Affairs on 24 October 1980.

The Committee on Economic and Monetary Affairs appointed Mr J. MOREAU rapporteur.

It considered the Commission's proposal at its meetings of 20 and 21, and 28 and 29 October 1980 and adopted the motion for a resolution on 29 October 1980 by 5 votes to none with 11 abstentions.

It also decided that the explanatory statement should be presented orally.

Present: Mr Delors, chairman; Mr vice-
chairman; Mr Moreau rapporteur; Mr Beazley, Mr Beumer,
Mr van Bismarck, Mr Bonaccini, Mr Delorozoy, Mr Ingo Friedrich, Mr Herman,
Mr Hopper, Mr Moorhouse (deputizing for Miss Forster), Mr Purvis (Deputizing
for Sir Brandon Rhys Williams), Mr Turner (deputizing for Mr de Ferranti),
Mr Wagner, Mr Walter and Mr von Wogau.

The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a draft decision adopting the annual report on the economic situation in the Community and laying down the economic policy guidelines for 1981

The European Parliament,

- having regard to the proposal from the Commission of the European Communities (COM(80) 596 final and COM(80) 596/2),
 - having been consulted by the Council pursuant to Article 4 of the Council decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Community (Doc. 1-517/80),
 - having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-550/80),
1. Notes that there has been a marked deterioration in the economic situation in the Community in 1980, characterized by:
- a decline in the growth of the gross domestic product from 3.4% in 1979 to 1.3%,
 - a considerable increase in the average inflation rate from 8.6% to 12%, with differences between Member States ranging from 5-6% to 18-20%.
 - an increase in unemployment from 5.6% in 1979 to 6%, or 7 million unemployed in the Community,
 - a reduction in real terms in private consumption during the 2nd and 3rd quarters of 1980,
 - a deficit on the current balance of payments of 30,000 million ECUs, i.e. 1.5% of gross domestic product,
2. Regrets that the economic policy recommendations put forward by the Commission are not being followed by all the Member States with the same degree of application since the simultaneous implementation of measures will increase their effectiveness and consistency;

3. Points out that the Community, with the experience of the first oil shock behind it, should not simply accept the effects of a new increase in the price of energy, but should provide itself with the means of overcoming this new recession; the Commission therefore should not simply indicate what it can do within the framework it has set up but should also say what supplementary (wider-ranging) measures it might possibly require with a view to tackling the problems as effectively as possible.
 - Short-term political measures
4. Points out that the fight against unemployment and the creation of jobs, which are fundamental objectives in any economic policy, depend basically on economic growth, the conditions for which must be restored;
5. Acknowledges, moreover, the positive nature of the Commission's main recommendations on:
 - the resolute pursuit of the fight against inflation and its manifold causes: the derangement of the international monetary system, characterized particularly by the over-abundance of liquid assets and the inadequate recycling of these assets, the rigidity of economic structures, the constant increases in the price of oil and the lack of competition;
 - a reduction of interest rates where overall development and the need to fight against inflation permit such a reduction;
 - a policy of strict control over the money supply, although experience has shown that such measures do not in themselves constitute a policy against inflation
 - the cautious support of demand in cases where this is possible without increasing inflation but considers that any economic policy, while maintaining the conditions for growth, must also make provision for the rigorous changes which it implies to be accompanied by social measures designed to protect the weakest and least privileged people
6. Notes that the European Monetary System operated fairly well during the year 1980 but is still precarious because of the divergencies between the economies and, more particularly in rates of inflation, the lack of coordination between the economic, financial and monetary policies of the participating States, and the lack of a harmonious policy vis-à-vis the international monetary system and in particular the dollar;

7. Insists on the need for close coordination of the Member States' economic policies and deplores the Council's inability during the past year to come to a decision save in the case of the common agricultural policy, on common action which might increase the effectiveness of national policies;
8. Invites the Council to implement the recommendations put forward by the Commission at its request on the subject of the improvement of the present coordination mechanisms (COM(80) 101 final);
9. Reminds the Council of Ministers and the Commission that the Parliament must not be consulted hastily and simply as a formality on the basis of the Decision of 18 February 1974, but that it wishes to be permanently involved in the decision of the Community authorities on economic and monetary cooperation;
10. Notes that the persistence since 1974 of a low rate of growth, a large deficit on the Community's balance of payments and a very high level of inflation and unemployment is leading the Community year by year to greater economic and social dispersion because:
 - women and young people are being pushed onto the sidelines as far as work is concerned.
 - as always during times of inflation incomes are distributed unfairly to the detriment of those on low fixed incomes,
 - regional disparities are being exacerbated and the local situation in some areas, characterized by de-industrialization and massive unemployment, has in many cases become very serious;
 - distortions of competition are being caused by the growth of the 'black economy' in many Member States;

Congratulates the Commission on insisting on the need for the submission of investment projects and asks the Council to require the Member States to draw up investment projects which meet both the need to improve competitiveness and the urgent need to improve living conditions in our Member States;

Requests the Commission, Council and Member States to relax credit policy, at least in certain member countries, so as to stimulate economic activity and job creation;
11. Deplores the fact the Commission has not followed the suggestion of some Members of the Parliament that it should issue a major Community loan to cushion the effects of the second oil shock and support economic activity without weakening the fight against inflation;
12. Draws attention to the lack of medium-term economic and social prospects

in the Community, which is all the more disturbing as the construction of Europe has come to a standstill and this is creating an internal crisis to add to the world economic crisis;

- Medium-term political measures

13. Consequently considers that there can be no hope of improving the Community's economic situation unless the longer-term economic and social development can be brought under control and the following three major challenges met:

- The economic challenge

14. Notes once again, in the present international context, the Community's extreme vulnerability as regards energy: for this reason insists that the Council should put in train the appropriate measures for the 'objectives for 1990' which it set out in its resolution of 13 May 1980; stresses in particular the need for:

- increased investments in the Community in support of energy economies, the exploitation of existing resources and the development of new ones,
- a reduction to 40% of the share of oil in total energy consumption,
- the Community to aim at generating 70% of its electricity from coal, alternative energy sources and, complementarily, from nuclear power: requests, however, that satisfactory solutions be found for the problems of safety and storage of waste;
- greater transparency on the spot market;

15. Believes that the Community can only overcome the difficulties it encounters in international competition if it acquires the capacity to undertake, in the context of the third industrial revolution and the new international economic order, an effective and coherent reorganization of its industries: this means that the Community should implement, before it is too late, measures to achieve increased cooperation in industry, technology and research.

16. Notes that in order to stimulate growth, encourage job creation, reduce regional disparities and achieve Community objectives there will have to be massive investment particularly in

- advanced technology,
- small businesses, whose job creating capacity should be boosted by investment incentives of a fiscal nature and loans on favourable terms from the European Investment Bank and the other Community funds,
- improvement in the urban environment, particularly where industries where industries are declining,
- resources for the new applicant countries;

Points, in this connection, to the need to create favourable conditions for investment in the Community, particularly as regards taxation; deplores once again the inadequacy of the Community's budget for 1981 and insists that the role of the Community's financing instruments should be increased and that they should be used to create genuine industrial cooperation between the Member States;

The social challenge

17. Points out that, in the face of an unemployment rate which has become intolerable, the Community must implement as soon as possible and with the agreement of both sides of industry measures which have a common basis but which are adopted to the specific employment situation in each Member State and designed:
- create new jobs, particularly in the advanced technology sectors,
 - reinforce and extend the structures of small and medium-sized undertakings, cooperatives and craft industries,
 - encourage continuing education and occupational mobility in order to reduce the qualitative gap between labour supply and demand;
 - bring about a more equitable distribution of available work, in particular:
 - (a) reduce working hours progressively and in suitable ways and, as a corollary to this, create new jobs in order to make the best possible use of the production apparatus,
 - (b) limit the systematic working of overtime,
 - (c) provide for an extra shift in shift work,
 - (d) encourage part-time working;
18. Recommends that greater attention should be paid to the problems of creating, developing and financing small undertakings and craft industries, which may provide many jobs in future years;
19. Stresses, in view of the foreseeable social consequences, the reorganization measures in industrial sectors and the changes engendered by new technologies, that preventive, reorganizational and training schemes should be defined and undertaken in such a way that technical progress should benefit social progress and not vice versa; recalls the role which the European Social Fund should be given in this regard and the importance of adopting social plans for sectors of industry, and above all for the steel industry;
- Calls upon unions and employers to remove all restrictive practices that inhibit mobility of labour and, in particular, to reemployment of those changing career in mid-life.

Calls upon Member States to review the education system and range of school diplomas in order to reduce the output of school leavers with no identifiable qualification. Aptitudes, especially non-academic aptitudes, must be established at an early enough age so that they can be capitalised upon in schools and result in a worthwhile qualification.

20. Insists in particular on a fair sharing of the efforts everyone is required to make to tackle successfully the various repercussions of the crisis; in this connection an active employment policy and the increased participation of workers and their organizations in the economic life of undertakings, in a spirit appropriate to relations between equal partners, are essential to the success of progressive and restrained policies for fighting against inflation and internal imbalances;

The political challenge

21. Believes that in a Community threatened with social and economic disintegration, the short and medium-term political measures of the dimensions required call for both vision and political will; that it is for the European Community to endow itself with the policies and resources needed to correct the interplay of market forces and make good any shortcomings ascertained in the activities of public institutions, so that the general interest and European solidarity prevail;
22. Points out that the European institutions must also be given the necessary resources to enable the Community to play the fundamental role which falls to it on the international scene:
- to create a new international monetary system,
 - to develop trade and reduce protectionism,
 - to provide increased aid for the heavily indebted developing countries and reorganize the recycling of financial resources accumulating in the oil-producing countries;
23. Takes the view that the Community's main objectives cannot be attained unless European union is finally achieved; warns against assuming that outstanding problems can be solved simply through the goodwill of the governments of the Member States if the current division of powers between the institutions of the Community continues and if the decision-making procedures remain unchanged.