

# European Communities

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EUROPEAN PARLIAMENT

# Working Documents

1981-1982

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9 November 1981

DOCUMENT 1-681/81

## 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. 1-668/81) concerning the adoption of the annual report on the economic situation in the Community and laying down the economic policy guidelines for 1982**

**Rapporteur: Mr R. DELOROZOY**



By letter of 27 October 1981 the President of the Council of the European Communities consulted Parliament, pursuant to Article 4 of the Council decision of 18 February 1974 on the attainment of a high degree of convergence between the economic policies of the Member States of the European Economic Community, on the proposal from the Commission of the European Communities to the Council concerning the adoption of the annual report on the economic situation in the Community and laying down the economic policy guidelines for 1982.

By letter of 30 October 1981 the President referred this proposal to the Committee on Economic and Monetary Affairs.

On 22 September 1981 the Committee on Economic and Monetary Affairs appointed Mr Robert DELOROZOY rapporteur.

It considered the draft report at its meetings of 20 and 28 October 1981. On 28 October 1981 it adopted the motion for a resolution with 5 votes in favour and 13 abstentions.

It was also decided to submit the explanatory statement orally.

Present: Mr Moreau, chairman; Mr Deleau, vice-chairman;  
Mr Delorozoy, rapporteur; Mrs Baduel-Glorioso (deputizing for  
Mr Fernandez), Mr Beazley, Mr Beuner, Mr Bonaccini, Mrs Desouches,  
Mr I. Friedrich, Mr Giavazzi, Mr Herman, Mr Hopper, Mr Leonardi,  
Mr Mihr, Mr Purvis, Mr Schinzel, Mr Wagner and Mr Walter

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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 concerning the adoption of the annual report on the economic situation in the Community and laying down the economic policy guidelines for 1982

The European Parliament,

- having regard to the proposal from the Commission of the European Communities<sup>1</sup> (COM(81)596 final),
  - 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 between the economic policies of the Member States of the European Economic Community (Doc. 1-668/81),
  - having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-681/81),
1. Notes that the overall economic situation in the Community has deteriorated further, notwithstanding the brighter prospects forecast in 1981 and that in 1982:
- the growth rate of the GDP in the Community will be low, somewhere around 2%; growth in exports should be stronger than the increase in internal demand (+ 1.5%)
  - the high rate of inflation - on average roughly 10.5% - will continue, with sharp variations between the Member States (4.5-23%);
  - the employment situation will deteriorate;
  - the only improvement may be in the balance of payments deficit which might be reduced slightly to around \$ 25,000 million (1.10% of GDP), although there is now a threat of further increases in the price of crude oil;

2. Observes that in the assumptions on which any forecast must be based, some of the most important factors are unpredictable, including the external factors which are a root cause of the crisis situation facing Europe, in particular the strong recovery of the dollar, which has risen in value by 40% compared with the ECU in recent months and the high interest rate policy pursued in the USA; emphasizes, however, that a large number of internal factors are also contributing to the recession in the Community, in particular

persistent high inflation, which results specifically in cost increases, the sharp rise in public expenditure in the GDP (from 37-47% in ten years), inadequate productivity and competitiveness in Community industry and the low rate of investment, currently running at no more than 0.7% per year;

3. Concludes that 1982 will be another difficult year with low growth rates and serious under-employment; any artificial growth not resulting from a healthy development of the market should be resisted; it is imperative for Europe and the future of each of the Member States that the latter re-assert forcefully and with greater determination the need for a closely coordinated policy freely adopted by the Member States and based on the objectives set out in the Vth medium-term programme; this policy should principally be based on the following priorities:

- monetary stabilization

4. Considers that a strict monetary policy coordinated between the Member States should be maintained, especially with regard to interest rate policy, the fixing of short and medium-term growth targets and the attitude to the dollar;

5. Emphasizes the positive role played by the EMS since its establishment in stabilizing exchange rates at least within the European zone; welcomes the fact that the system was able to absorb the latest readjustment under satisfactory conditions;

calls on the Commission and the Council to make realistic but active efforts to strengthen the EMS further, bearing in mind current divergencies between the economies of the Member States, and in particular to examine ways of introducing the ECU on a wider scale and establishing an EMF;

6. Hopes to this end that in the coming months the United Kingdom will participate fully in the EMS and that the position of Greece will be examined;

7. Notes that at the Ottawa Conference the Community was unable to establish closer monetary cooperation with a view to bringing about a reduction in world interest rates;

urges that new initiatives be taken along these lines and that the world supply of petrodollars, which at the end of 1980 amounted to \$ 350,000 million, be recycled more effectively;

- reduction of inflation

8. Emphasized that a more determined effort to reduce inflation, the major cause of the rise in interest rates and the general disorder affecting the economy, and hence of a reduction in investment, must be made by the Community, but that its success depends largely on the determination of each of the Member States to take the necessary measures, with the active participation of both sides of industry; such measures cannot be confined to control of money supply

but require better structured and convergent budgetary, fiscal and price policies and measures to hold down inflation;

9. Urges the Commission to recommend the Member States to adopt convergent attitudes on developments relating to income and to follow a stricter budgetary policy, since the scale of and variations in budgetary deficits between the Member States are excessive;

approves the communication from the Commission on the revision of procedures for indexing different forms of income in certain Member States in order to put an end to situations which lead to abnormal inequalities in production costs between one Member State and another; the regulatory indexes should exclude part of the increase in oil prices; stresses, however, the need to maintain the purchasing power of low earnings;

- increased competitiveness

10. Considers that the level of investment in the Community must be substantially increased; the Member States and administrative structures should, to some extent, reduce expenditure on current consumption in order to free greater resources for investment; such investment must be directed principally towards projects relating to energy, the new technologies and industrial restructuring, which remains essential and urgent in order to prevent a more serious downturn in the medium term, and also towards the development of small and medium sized undertakings; in particular, encouragement must be given to measures to make available risk capital and all other measures capable of improving the operation of the security markets and facilitating the dissemination of savings and the conversion of savings into investments;

11. Calls in this respect for further progress in the Community's borrowing and lending policy and the implementation of various means and channels to encourage and protect the savings of families through productive investment;

deplores the decision, taken by the Council when it considered the proposal to revise the NCI, not to abolish the ceiling of 1,000 million ECU as the European Parliament had proposed;

considers, similarly, that the interest rebate policy must be applied on a larger scale if it is to have a proper impact on economic convergence and contribute to the strengthening of the EMS and that a more substantial initiative for the recycling of petrodollars must be taken;

12. Emphasizes the urgent need for a determined industrial cooperation policy in the Community and hopes that the Commission will submit at an early date a programme along these lines - within the framework of the Mandate of 30 May - including an industrial strategy and the main points of a policy of innovation which responds to the hopes of 9 million unemployed;

deplores once again the inadequate appropriation allotted to industrial policy in the 1982 budget and regrets that the Council has not adopted the European Parliament's proposal that a Fund for innovation and industrial development be set up;

13. Recalls the vital role played by SMU in achieving a buoyant economy and in creating jobs;

calls on the Commission and the Council to do their utmost to promote the financing, administration and integration of SMU in economic life and to give them every opportunity to develop their potential;

- an active commercial policy

14. Considers that the Community, given its commercial significance, should play a more active role internationally to safeguard free trade and combat the development of contrary practices, such as dumping or the systematic introduction of protectionist quotas;

considers in particular that a more active Community export policy should be initiated based to a greater extent on a rigorous analysis of medium and long term market trends, on a more intensive trade presence in exports and on the conclusion of long-term trade agreements;

15. Emphasizes the importance for the long-term revival of the economy in the Community of increased industrial cooperation with the developing countries as part of a mutually beneficial overall development policy, particularly within the framework of the Convention of Lomé;

- the attainment of the internal market

16. Calls on the Commission to use its full powers to resist any attempt to repartition the Community, in particular by:

- pursuing a more vigorous competition policy, taking account of restrictive practices and also of State aid to uncompetitive sectors, aimed at providing greater transparency in the financial relationships between undertakings, including the public sector, and the State;
- showing rigorous cohesion in the implementation of restructuring plans for sectors experiencing difficulties;
- identifying and eliminating direct and indirect state aids which distort competition and which do not satisfy the Commission's guidelines for exemption, i.e. in cases of industries in short-term crisis; in cases of industrial restructuring; or for environmental reasons;
- pursuing a more dynamic policy for the abolition of technical barriers to trade;



- removing the remaining administrative barriers on the domestic market to the free movement of persons and goods;
- concentrating on making progress with Article 100 harmonization directives;
- extending the scope of the harmonization of the rules governing the award of public contracts;
- introducing more rapidly genuine freedom of capital movements which is vital for progress in investment, especially by means of greater inter-penetration of the securities markets;
- implementing, as the Commission intends, a European tax model which would reduce inequality of treatment and discrimination between one Member State and another, having regard to both the structure and the rate of various taxes, particularly VAT; in this context efforts at harmonization should be speeded up, in particular those seeking to put an end to excise duties;
- making rapid progress with simplified forms and improved methods, bearing in mind the waste and frustration that could be saved by simplifying frontier formalities;
- ensuring that the Rome Treaties are observed by customs authorities in respect of unjustified requests for certificates and marks of origin;

17. With a view to winning back the internal market of the Community, emphasizes the need for more vigorous Community action in order to stimulate the creation of European industrial capacity in growth sectors and support the Member States in meeting competition from the United States and Japan;

- employment policy

18. Emphasizes once more that the current unemployment figures are socially and economically unacceptable;

calls on the Commission and Council, therefore, to implement the guidelines laid down during 1981, in particular at the Joint Council of Economic and Finance Ministers and Social Affairs Ministers;

notes that a policy to control inflation is not incompatible with action to stimulate the development of economic activity, in particular in the construction sector, in energy saving and infrastructural projects; this would help to reduce unemployment without fuelling inflation;

stresses the need for measures to control unemployment and create new jobs to be the focal point of Community action and hopes that practical measures will be taken to create jobs together with measures seeking to bring about an

improved distribution of working time involving its reduction without any excessive increase in costs;

emphasizes the importance of improving vocational training for young people and the need to enhance the role of the Social Fund;

19. Calls on the Commission to ensure that the dialogue between the Community Institutions and the social partners is resumed during 1982; a genuine social consensus must be achieved on the limits which any measures concerning a reduction in working hours, an incomes policy or the amount of public expenditure must necessarily come up against because of the constraints of the campaign to reduce inflation and increase competitiveness;

#### CONCLUSIONS

20. Emphasizes, finally, that:

- the short-term policy measures to be taken during 1982 must be very closely linked to the strategy set out in the Vth medium-term programme,
- in particular, the policies implemented by the Member States, however different they are, must remain compatible with the common objectives being pursued,
- the conduct of short-term economic policy depends fundamentally on controlling economic and social progress in the longer term, which clearly calls for a strengthening of the Community Institutions and an improvement in the decision-making procedures.