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## Report

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

on the economic situation in the Community

Rapporteur: Lord ARDWICK

PE 49.172/fin.

English Edition



At its sitting of 11 May 1977 in Strasbourg, the European Parliament requested the Committee on Economic and Monetary Affairs to draw up a report on the statement by Mr Ortoli, Vice-President of the Commission of the European Communities, on the economic situation in the Community, and asked the Committee on Social Affairs, Employment and Education for its opinion.

At its meeting of 23/24 May 1977, the Committee on Economic and Monetary Affairs appointed Lord Ardwick rapporteur.

It considered the draft report at its meetings of 23/24 May, 6/7 June and 23/24 June 1977.

At the latter meeting it adopted the motion for a resolution with sixteen votes in favour and one abstention.

The following were present: Mr Glinne, Chairman; Mr Notenboom and Mr Leonardi, Vice-Chairmen; Lord Ardwick, rapporteur; Lord Bruce of Donington, Mr Berkhouwer (deputizing for Mr Zywietz), Mr Clerfayt, Mr Guldberg, Mr F. Hansen (deputizing for Mr Zagari), Mr van der Hek, Mr van der Mei, Mr Normanton, Mr Nyborg, Mr Prescott, Mr Ripamonti, Mr Santer (deputizing for Mr Müller-Hermann) and Mr Spinelli.

The opinion of the Committee on Social Affairs, Employment and Education is attached.

The Explanatory Statement will be given orally by the rapporteur.

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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

on the economic situation in the Community

The European Parliament,

- having regard to the statement of 11 May 1977 by the Commission on the economic situation in the Community,
  - having regard to its resolutions of 15 October 1974<sup>1</sup>, 13 November 1974<sup>2</sup>, 13 March 1975<sup>3</sup> and 13 November 1975<sup>4</sup>,
  - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Social Affairs, Employment and Education (Doc. 200/77),
1. Notes the continuing tendency for the economies of the Member States to diverge, which impedes the development of Community solidarity when it is more than ever necessary to overcome the economic crisis;
  2. Calls on the Member States, therefore, to observe the economic policy guidelines adopted by the Community for 1977 with a view to reducing these disparities as far as possible and facilitating an economic revival in the Community, and requests the Commission to do all that lies within its power to get these guidelines observed;
  3. Agrees with the Commission on the vital importance of substantially reducing unemployment while at the same time curbing inflation and achieving a better payments balance within the Community;
  4. Notes that countries with an external surplus and countries with an external deficit are given different responsibilities: countries with an external surplus on current account should encourage internal demand in order to stimulate exports from deficit countries; and countries with an external deficit should boost exports by curbing production costs and encourage investment which will make them more productive;
  5. Stresses that an active employment policy, to be pursued at national and Community level, will be necessary in addition to any general measures for promoting economic growth, and therefore welcomes the Commission's intention to improve the working of the Social Funds and the Regional fund;

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<sup>1</sup> OJ C 140, 13.11.1974, p. 15

<sup>2</sup> OJ C 155, 9.12.1974, p. 22

<sup>3</sup> OJ C 76, 7.4.1975, p. 27

<sup>4</sup> OJ C 280, 8.12.1975, p. 44

6. Trusts that the Tripartite Conference will be successful in creating a climate more favourable for economic recovery, and specifically that it will succeed in producing concrete proposals to deal with the acute problem of unemployment among the under-25's;
7. Underlines the need to stimulate investment, both public and private, and agrees with the Commission as to the importance of creating a favourable climate for investment;
8. Supports the Commission in its initiative in bringing forward proposals for Community-backed investment projects, and looks forward to the submission of its detailed plans in this connection;
9. Supports the Commission in its call for a better distribution of international liquidity in the context of a reform of the international monetary system and hopes that the Commission will play an active role in negotiations to achieve this;
10. Regrets that the establishment of a new monetary structure in the Community is hampered by the economic divergencies which continue even though policies to deal with the situation are now showing greater similarity;
11. Regrets the absence in the Commission's assessment of more detail to show how the necessary short-term measures will be linked with a Community industrial structural policy for which the European Parliament has often called in the past;
12. Welcomes the eventual adoption of the Fourth Medium-Term Economic Policy Programme which should play a key role in the necessary restructuring of the European economy, but considers that it will have to be complemented by further structural policy recommendations at Community level;
13. Does not doubt the determination of the European institutions to contribute to the alleviation of the economic crisis, but nevertheless emphatically points out that these institutions have very inadequate instruments and financial resources with which to regulate developments in the social and economic situation;
14. Calls upon the Commission in this connection to submit a detailed progress report specifying what action has been taken on the proposals which the European Parliament has put forward over a period of many years in reports on the social situation in the Community, and what practical results have been obtained from the conclusions drawn at Tripartite Conferences;

15. Takes the view that the call for better utilization of resources (for example those of the Social Fund) cannot in itself bring about any appreciable improvement in the social situation, since the Fund's appropriations are so modest by comparison with the magnitude of the problem which it must contribute to solving;
16. Endorses, therefore, the call for increased operating appropriations for the Community's funds, but at the same time points out that the various types of aid from these funds should not in any way be used as an excuse to discontinue national aid measures;
17. Instructs its President to forward this resolution to the Council and the Commission of the European Communities.

ADVIES VAN DE COMMISSIE VOOR SOCIALE ZAKEN, WERKGELEGENHEID EN ONDERWIJS

Rapporteur voor advies: de heer K. WAWRZIK

De Commissie voor sociale zaken, werkgelegenheid en onderwijs benoemde op 22 juni 1977 de heer Wawrzik tot rapporteur voor advies.

Het ontwerp-advies werd in haar vergadering van 22 juni 1977 behandeld en met algemene stemmen goedgekeurd.

Aanwezig: de heren Van der Gun, voorzitter; Wawrzik, rapporteur voor advies; Caro, mevrouw Cassanmagnago Cerretti, Lady Fisher of Rednal, de heren Guldberg, O. Hansen, mevrouw Kellett-Bowman, de heren Pistillo en Vandewiele.



## GENERAL COMMENTS

1. The statement delivered by Mr ORTOLI, Vice-President of the Commission, on 11 May 1977, which is the subject of this opinion of the Committee on Social Affairs, Employment and Education, concerns matters of vital importance both to the Community and to national economic and social development. It is particularly regrettably, therefore, that although this statement once again draws attention to the need for an overall approach to Community economic and social policy in order to avoid divergent developments in the future and to counteract the damage already sustained in the past, it still does not outline any practical initial steps to be taken in this direction.
2. Moreover, the Committee on Social Affairs, Employment and Education believes that an over-optimistic view has been taken of medium-term economic developments. The committee considers that the prospects revealed by the statistics available do not in any way justify such a view<sup>1</sup>. Indeed, the trends resulting from the adoption of uncoordinated measures in the Member States are more likely to encourage the further divergence of economic structures.
3. The committee has doubts about the practical scope for the Community's institutions to participate effectively in the solution of the social problems raised by the continuing economic crisis in the Community, the nature, cause and gravity of which vary from one Member State to another.

The control and support instruments available to the institutions of the Community for the purposes of regulating developments in the social and economic situation, not to mention the financial resources of these institutions, are quite inadequate. In this connection attention should be drawn in particular to the Social Fund, the resources of which can only be described as modest by comparison with the magnitude of the problems it is to contribute to solving.<sup>2</sup> Nor can the 'better utilization of resources'

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<sup>1</sup> Economic and Social Committee 'Detailed analysis of the national economic situation in each Member State' R/CES 363/77 rev. (Part IV)

<sup>2</sup> See the CARO Report on the Fourth Report on the activities of the European Social Fund - 1975 (Doc. 578/76) and the ADAMS Report on the communication from the Commission to the Council concerning the review of the rules governing the tasks and operations of the European Social Fund (Doc. 84/77).

referred to by Mr ORTOLI be seen as an alternative in this context since the meagre operating capital of the Fund will scarcely permit any appreciable improvement in the social situation. Moreover, the Commission lays itself open to the question of how it has used its appropriations so far if it believes that their 'better utilization' could have an appreciable economic impact in the Member States.

4. The Committee on Social Affairs, Employment and Education cannot help feeling that the results so far obtained in the struggle to solve the problems caused by the economic crisis have been extremely poor.

The committee further calls upon the Commission to draw up without delay a detailed report on its activities specifying what action has so far been taken on the proposals of Parliament<sup>1</sup> and what practical results have been obtained from the conclusions drawn at past Tripartite Conferences.

#### CONCLUSIONS

##### The Committee on Social Affairs, Employment and Education,

1. Does not doubt the determination of the European institutions to contribute to the alleviation of the economic crisis, but nevertheless, emphatically points out that these institutions have very inadequate instruments and financial resources with which to regulate developments in the **social and economic** situation;
2. Is astonished that although the need for an overall Community concept to counteract divergent economic developments in the Member States has been unequivocally acknowledged for many years, this view has so far not had any tangible effects;
3. Calls upon the Commission in this connection to submit a detailed progress report specifying what action has been taken on the proposals which the European Parliament has put forward over a period of many years in reports on this subject, and what practical results have been obtained from the conclusions drawn at past Tripartite Conferences;

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<sup>1</sup> See, for example, the reports of the Committee on Social Affairs, Employment and Education on the social situation in the Community in 1974 (MARRAS Report, OJ No. C 239, 20.10.1975) and 1975 (MEINTZ Report, Doc. 164/76).

4. Takes the view that the call for better utilization of resources (for example those of the Social Fund) cannot in itself bring about any appreciable improvement in the social situation, since the Fund's appropriations are extremely modest by comparison with the magnitude of the problem which it must contribute to solving;
5. Is convinced of the urgent necessity of organizing the closest possible coordination of the social and economic measures taken or planned by the Member States, without which the Community institutions will be unable to act effectively to overcome current economic difficulties;
6. Endorses, therefore, the call for increased operating appropriations for the Community's funds, but at the same time points out that the various types of aid from these funds should not in any way be used as an excuse to discontinue other aid measures or to formulate alternative proposals;
7. Requests the Committee on Economic and Monetary Affairs, as the committee responsible, to take account of these conclusions in its deliberations.

