

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 390 final
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INVESTMENT

(Communication from the Commission to the European Council,
for its meeting in Brussels on 28 and 29 June 1982)

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COMMUNICATION FROM THE COMMISSION

TO THE EUROPEAN COUNCIL

ON

INVESTMENT

In line with the conclusions reached by the European Council on 29 and 30 March 1982 and at the ensuing meetings of the Council, the Commission sent the Council an initial report on investment.

The report is primarily an analysis of the situation: the present Communication draws from that analysis the immediate conclusions on which future work will be based.

1. All the analyses point to a decline in investment in the Community and a relative fall in the Community's share of exports of plant and equipment and of high-technology goods. The priority accorded to investment by economic policymakers is thus consistent with two objectives:

- economies with a high standard of living which are heavily dependent on foreign trade and whose principal asset is their innovative skills must be competitive at home and abroad;
- economies must be able to adapt to new demand conditions and to ever-changing markets, i.e. they must be in a position to supply the goods and services best suited to market needs.

If these two objectives are not met, i.e. if the Community economies fail to harness their investment potential, there will be no adequate and sustained response to the problem of unemployment. This link between investment, competitiveness and employment needs to be jointly recognized by the public authorities and by all those involved in business activity.

2. To a very large degree, a lasting recovery in investment will depend on the overall economic situation. Two conditions must be achieved as a matter of priority:

- a more settled international environment, i.e. more stable exchange and interest rates, more reliable prospects for open international trade and a smooth recycling of capital;

- a more stable framework within the Community, i.e. successful policies to combat inflation and to shrink excessive deficits.

Implementation of the Community's proposals both in the monetary sphere and for closer convergence of the economies would make for tangible progress in this direction.

3. Whereas public-sector investment should be stepped up as a means of reinforcing economic structures and boosting employment, it has been declining steadily in recent years, whether expressed as a proportion of GNP or of national budgets. Yet investment can be raised only within the - in many cases tight - limits imposed on Member States by the need for strict budgetary management.

It is against this background, which will entail difficult budget trade-offs, that we have to view the need for Member States to make more room in their budgets for public spending to promote investment and training and hold down production costs, i.e. to bring about sustained growth in the economy and in employment. The Commission will take account of this need for a policy rethink in the proposals for Member States' 1983 budgets that it will send to the Council in July.

In order to ensure that this new approach has the necessary continuity and scope, the Commission recommends that Member States plan medium-term budget programmes that will guarantee, within a controlled budgetary pattern, an increasing share for investments geared to fostering economic growth.

4. Low investment is also attributable to a number of handicaps: poor profitability, financing constraints, inadequate labour skills, and legislation constricting the economic use of capital. Prime responsibility for the decisions needed to remove these obstacles lies with the Member States, which have the legislative power, the financial resources and the armoury of the national budget.

However, the Community must be involved in the formulation and implementation of such policies in three main ways:

- in exploiting more systematically the advantages stemming from a single market large enough to underpin the expansion of industrial activities that are competitive internationally;
- in the joint assessment of the effectiveness of Member States' policies to promote investment and, by comparing experiences, in the process of devising the most effective rules and financial mechanisms for boosting investment;
- in establishing ground rules for initiatives launched at national level, with the two-fold aim of meeting the Commission's Treaty obligations in the areas of aid and competition and of ensuring that national policies are mutually consistent and have the utmost economic impact.

The Commission will put up further proposals on these various points in addition to the ones it has already presented.

5. There are two particular areas in which the Community must contribute directly to the joint investment effort:

- it must assume an increasingly active role in the common energy strategy, a key feature of which is a major programme of investment in energy production and energy efficiency;
- it must also be involved in policies for modernizing the economy by assisting the process of adapting production structures to the changing pattern of demand, notably with help to technical and technological renewal.

The Commission has already put forward proposals in this connection and would like to see the work currently in hand producing concrete results in the very near future.

6. Lastly, the Commission considers that a significant and sustained expansion of the Community's credit instruments for financing investments would make a major contribution to the general investment effort.

In line with the conclusions reached by the European Council in November 1981, the Commission will in July propose an increase in the resources of the NCI, with the intention that measures to modernize industrial structures should have a priority claim on the new resources.

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At this juncture, the Commission is proposing a general framework for an active investment policy designed to improve economic structures and ameliorate the employment situation. This framework will be fleshed out in the second half of the year by further communications and proposals.

The Commission requests the European Council:

- to assert unequivocally the need for investment as a means of returning to a healthier growth path and improving the employment situation;
- to take up as jointly agreed guidelines the broad thrust of the analysis and measures at both national and Community level, proposed by the Commission;
- to reaffirm that, since a prerequisite for higher investment is the restoration of a more stable economic environment in Europe and throughout the world, the Community ought to take an active part in international cooperation initiatives directed towards this end and, in particular, in the implementation of the conclusions reached at the Versailles summit meeting;
- to decide that, where each of them is concerned, Member States will take account of the priority to be accorded to investment growth in formulating their economic policies and in deciding on the structure and future shape of their budgets;

- to acknowledge that it is in the common interest to expedite the establishment of a single market; to introduce a Community code of ground rules for national initiatives which will guarantee that they are mutually consistent and obtain the utmost impact; and to ensure that joint action is vigorously pursued in two areas of special importance, viz. the energy strategy and the adjustment to a new demand structure, inter alia by expanding the Community's lending facilities.

In conclusion, the Commission requests that the European Council instruct the competente institutions to pursue their work with all due dispatch and that it report back to the Commission.