The European Community: some questions and answers

European File

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5-6/84
March 1984

June 1984 — the second direct elections to the European Parliament. How do the citizens of the member states feel about their country's participation in a Community whose development appears to be beset by endless difficulties and crises? According to the poll taken by 'Euro-barometer' at the end of 1983, 55% of Community citizens believe membership is a good thing, 13% think it is a bad thing and 32% are uncertain or have no opinion. In every Community country the 'pro's' outnumber the 'anti's'. Even in the United Kingdom, for the first time since 1978, 36% are satisfied with Community membership and 28% dissatisfied. In Denmark and Ireland the anti-Community vote is around 25%. But positive replies total more than 70% in the Netherlands, Italy and Luxembourg and more than 55% in Belgium, Germany and France. Nothing is perfect and it is understandable that complaints are made and questions asked about the Community's activities. An attempt is made to answer some of these questions below.[1]

[1] This file updates and replaces No 13-14/80.

Poster and graffiti in a Brussels Metro station: 'European Community: ten countries, 270 million citizens ... 12 million unemployed'. The struggle against unemployment is now the number one priority for the Community.

What is the Community doing about unemployment?

Twelve million people in the Community are out of work! The struggle against unemployment is now the number one priority in Europe. The main responsibility remains with member governments. But the Community provides both a framework for a long-term solution and offers a number of short-term remedies. Many specific measures to boost employment have been proposed or adopted at Community level. The European Commission has also stressed the importance of a new wave of productive investment, as a pre-condition for economic recovery without high levels of inflation. It has called for new Community policies to promote the modernization and increased international competitiveness of European industry. If the aim is to create jobs at a faster rate than they are being lost in the traditional, declining industries, it is vital that European firms should regain their competitive edge on the world market. This could to a large extent be achieved by Community policies, if sufficient funds were available. This argument is central to the debate over the future financing and 're-launch' of the Community.

Faced with the challenge of mass unemployment, the European Commission's response takes the following lines:

- ☐ The strengthening of the internal market: the abolition of customs duties and quantitive restrictions on trade helped the six founding members of the Community to achieve an average 4.5% annual economic growth between 1958 and 1972, before the world recession took hold. This compares with the 2.8% annual growth achieved in the same period by the United Kingdom, which had not yet joined the Community. The completion of a single Community market of 273 million consumers is now vital if the European economy is to compete with those of Japan and the United States. These countries are generating millions of new jobs. The number of jobs in the Community continues to fall. In particular the European Commission is determined to create a European market for a number of important activities which are limited to national markets at present. These include a range of industries where the proliferation of national standards and specifications blocks imports; industries where production is largely dependent on public contracts, such as telecommunications, transport, water-supply and energy; and financial and insurance services, controlled by strict national regulations, which make it difficult for foreign firms to compete. Liberalization is needed in all these areas. To allow Community business to draw the full advantage from its vast market, the European Commission is pressing member states to 'Europeanize' standards and specifications, open up their public service markets, abolish legal, financial, fiscal and bureaucratic barriers to trade and get rid of remaining border formalities.

- ☐ The stimulation of both public and private investment which will promote the growth, modernization and competitiveness of the economy: joint Community measures to encourage productive investment must operate alongside the creation of a single financial market. To generate new jobs despite the recession, the Commission has called on member governments to create new opportunities for the private sector through priority investment programmes in telecommunications and information technology, transport and communications, new forms of energy and energy saving, housing and urban renewal.

☐ The promotion of new technologies by the fostering of industrial and scientific cooperation: the successful development of the new technologies demands a mass market and a concentration of private and, sometimes, public investment resources. Only in this way can duplication of effort be avoided and the substantially increased demands made by the technical advances of the last decade be met. The Community has launched a number of major projects, such as JET, an attempt to harness a new source of energy from nuclear fusion, and Euronet-Diane, a Community-wide network of data-banks accessible by telephone. The Community is about to launch ESPRIT, a 700 million ECU [1] five-year programme, designed to help European micro-electronics and computer firms to pool their research efforts and close the technology gap with Japan and the United States. The Commission is calling for similar joint programmes in other areas, such as telecommunications and bio-technology. These activities are vital to the modernization, competitiveness and independence of the European economy and of Europe itself. In a sense, they are complementary to the new Community framework programme for research, which aims to reduce research costs and increase effectiveness by broadening the scope of joint research programmes. Considerable research efforts in the energy field have already been undertaken with Community aid. The new programme will bring together the finest European scientists in fields including industry, agriculture, raw materials, living and working conditions and the development of the Third World. Community spending on research is due to increase from 600 million ECU in 1982 to 3.7 billion ECU between 1984 and 1987.

☐ The creation of Community policies for industries troubled by technical developments, slumping demand and international competition: a Community approach is necessary to bring together all possible means of restoring the competitiveness of ailing industries. The main effort has been devoted to the steel industry, which is dealt with below. But the Community is also active in textiles, shipbuilding and other areas. The European Commission is especially concerned to ensure that attention should be given to the employment problems created by necessary restructuring of these industries. The Commission wishes to see an increase in the level of aid from Community Funds for the retraining and resettlement of workers who lose their jobs.

☐ The development of common policies for transport and energy, on whose efficiency industry depends: in the transport sector, vital to a market of

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[1] 1 ECU (European currency unit) = about £0.58, Ir. £0.73 or US$0.82 (at exchange rates current on 13 February 1984).

European scale, the Commission is keen to give increased aid to infrastructure developments which will improve the links between member states, abolish bottle-necks and improve access to the outlying regions. In the energy sector, where the Community is still 47% dependent on imports, increased joint efforts are needed to ensure the safety and stability of supplies. This can be achieved through diversification of energy sources, partly by using the new technologies to develop indigenous types of energy and energy saving methods. In 1982, the European Investment Bank, other Community financial instruments and the Community budget itself spent 1.9 billion ECU in this area. Enormous importance attaches to the continuation and development of joint research and investment of this kind.

- Increased promotion of employment in small and medium-sized businesses and through local employment initiatives: the European Commission has recommended that the member states should set up new bodies to finance and advise on the developments of this kind and to consider legal changes which would assist small enterprises. At the same time, the European Investment Bank, the new Community instrument for borrowing and lending and the various Community Funds are devoting an increased percentage of their spending to small businesses. In particular, the Community hopes to encourage their innovatory role. The Commission would like to extend the same assistance to local employment initiatives, whether in the form of cooperatives or not. It is hoped that this will create new jobs and give a new impetus to struggling collectives and self-help groups. The Commission is also seeking to encourage the creation of local and regional bodies which will involve public authorities, employers and workers in the establishment of job creation projects, linked to training opportunities.

- The promotion of youth employment: the Commission has suggested various ways of encouraging employers to recruit young people, notably through reducing or reorganizing the working week. It has also called for job opportunities for young people, who have spent a long period on the dole, through temporary public works or by creating 'job quotas'. The Commission has suggested also that young unemployed people should be given opportunities to develop professional skills or pursue their non-professional interests as well as encouragement in setting up their own businesses. The overall aim is to bring the level of youth unemployment down to the average by creating about 2.5 million new jobs in five years. At the end of 1983, the member states agreed to increased efforts in this direction. In June 1983 they had already promised a five-year guarantee to school leavers of either a job or six months relevant training. The Community has also launched a number of pilot projects on ways of smoothing the transition from school to the workplace. Common guidelines have been adopted on the streamlining of vocational training.

- The reduction and reorganization of working time: the Commission has called for a reduction and reorganization of working hours. The reduction must be sufficient to generate new jobs while preserving competitiveness and protecting workers' rights. At the same time, systematic paid overtime must be rigorously controlled. Overtime, where it is necessary, should be compensated increasingly by extra time off, not extra pay.

The Community's financial instruments are also active in the battle against unemployment. Efforts are being made to increase their effectiveness. Special attention is to be given to the needs of struggling regions, the least favoured sections of the population and small and medium-sized businesses. The extent of the Community's efforts can be judged by the statistics. By the end of 1982, the European Investment Bank (EIB) and New Community Instrument (NCI) had spent within the Community since their creation a total of 22.4 billion ECU, including 4.2 billion in 1982 alone. The cash was earmarked for the development of infrastructure, industry and services and the diversification of energy supplies. Loans made by the European Coal and Steel Community for industrial modernization, regional retraining and housing (180 000 homes built or improved since 1954) topped 9.6 billion ECU (with 740 million spent in 1982). Grants for industrial and infrastructure development from the European Regional Development Fund (ERDF) reached 7.2 billion ECU (including 1.9 billion in 1982).

It is estimated that between 1975 and 1982 the Community helped to create or maintain nearly one million jobs in industry, trades and services (more than 500 000 by the ERDF, more than 400 000 by the EIB and nearly 50 000 by the ECSC). Many other jobs were created or maintained by infrastructure projects. At the same time, the European Social Fund and ECSC have allocated grants for training, retraining and income supplements totalling 6.3 billion ECU since their creation (including 1.8 billion in 1982). Between 1975 and 1982, the training of about nine million workers has been aided by these funds. A high proportion of people who find themselves at a disadvantage on the jobs market (women, migrant workers and the handicapped) as well as workers in industries disrupted by technological changes and mass redundancies (coal, steel, textiles, shipbuilding and agriculture) have been helped. In addition, 740 000 young people (including 290 000 in 1982) have been helped to find a job through recruitment aids since 1978. From now on, 75% of the resources of the Social Fund is to be reserved for the fight against youth unemployment.

Does the Community plan to rescue the steel industry or abandon it?

In Europe and America alike, the traditional steel-producing countries are in crisis. The causes are manifold: the establishment of more competitive steel industries in other countries; reduced demand because of the impact of the world recession on steel-consuming industries; and the growing tendency of such industries to economize in their use of steel or to employ substitute products. At the same time, the world's steel capacity has continued to increase, often as a result of ambitious investment decisions taken while the world economy was strong. These investments have often come to fruition in the second half of the 70s, in the midst of recession. The consequences have been overproduction, falling prices and financial losses, caused partly by obsolete equipment. This vicious circle of overproduction and financial losses has prevented firms from reinvesting in their own modernization. Overall, the effect on employment in steel-producing areas has been catastrophic.

Public authorities were clearly unable to ignore the problem. To have abandoned steel would have condemned whole regions of Europe to economic death and deprived the Community of its independence in the production of many more elaborate forms of goods. On the other hand, to have pursued a long-term policy of expensive and subsidized steel in Europe would have damaged the economy, and first and foremost, the steel-consuming industries. Protectionist policies would, similarly, have provoked reprisals with even more serious consequences for jobs and the health of manufacturing industry.

The only alternative was to modernize and restructure the industry throughout the Community. The aim was to hold on to the trading advantages offered by the single European market and, at the same time, make use of the opportunities for restructuring – notably through cooperation agreements – offered by tackling the problem on a Community scale. The rescue policy pursued by the European Commission is, in many ways, tough. But the aim is not to seek as many closures as possible. On the contrary, the intention is to protect as many viable jobs as possible in the medium-term by ensuring that the European industry returns to competitiveness and survives without state aids from 1986. This cannot be achieved without sacrifices, which must be accurately gauged. There must be no confusion between reduction in capacity and cuts in production. If European solidarity is maintained, these sacrifices will be rewarded by an improvement in the overall health of the steel industry. The main lines of Community steel policy are:

- A system of production quotas, for each firm, backed up by minimum or guide prices and agreements with major third country suppliers to reduce the disruptive effect of their exports on the Community market. These measures have helped to balance supply and demand and check the downward spiral of prices, while preserving each company's market share. The system was made necessary by the acuteness of the crisis, which made a voluntary agreement between the firms impossible. It can only be temporary and must be replaced by the free-play of competition, once the market situation has improved.

- A code to control restructuring of the industry, which remains primarily the responsibility of member states. The Commission checks the compatibility of national projects against the medium-term aims of the Community. State aids are forbidden if they do not comply with the principles of reduced capacity, modernization and return to competitiveness or if they are disproportionate to the size of the restructuring plan.

- Community financial aid to help bring about the necessary changes. Between 1975 and 1982, the Community lent, on easy terms, about 4 billion ECU for the modernization of the steel industry. Aids are also given for research and technological innovation. The impact of restructuring on employment and the regions is not forgotten. With 150 000 steel jobs likely to be lost between 1983 and 1986, the various Community Funds are expected to allocate grants of over two billion ECU for a vast programme of regional regeneration (creating about 70 000 jobs), early retirement (effecting about 60 000 jobs) and job-creation (about another 60 000 jobs). Other social measures are also envisaged, including reduction in working time, part-time working and bridging aids to workers training for new jobs.

Endless devaluations . . . when will there be a European currency?

Community countries passed an important milestone on the road to monetary and economic union by setting up the European Monetary System (EMS) in 1979. The system involves intricate exchange and credit machinery which is intended to reduce the currency fluctuations which damage trade and job-creating investment in import and export industries. The objective is clearly worthwhile since, on average, trade represents more than one-quarter of the gross domestic product of Community countries and half of this trade takes place within the Community. The establishment of the EMS has not put a complete end to periodic realignments of the exchange rates of the currencies in the system. What it has meant is that:

□ Monetary realignments are now decided jointly by finance ministers and not by individual countries, as before. A halt has been called to competitive devaluations in pursuit of unfair trading advantages, which provoked protectionist reprisals and could have shattered the Community. The scope of realignments was somewhat less than the variation in prices and costs in the member countries and considerably less than fluctuations in value against currencies outside the system, such as the yen and the dollar. Currency values often change from one day to the next on the open market.

□ At the same time, the system – particularly in 1983 – has led to a greater convergence of national economic policies. Countries with traditionally weak currencies have struggled harder to combat inflation.

□ The ECU – an artificial currency used to operate the system and based on the values of participating currencies – has ceased to be an entirely notional accounting device. Even the private sector now makes increasing use of the ECU to improve the security of borrowing and loans. In six years, the volume of private transactions in ECUs has increased sixfold. By the beginning of 1983, the ECU had become the third most frequently used currency, after the dollar and the mark, on European financial markets.

It will be a long time before the ECU becomes a genuine, common European currency. Progress along the road to monetary union must be cautious so long as the economic structure, and therefore the policies, of member states, remain disparate. The European Commission believes, nevertheless, that a strengthening of the EMS is desirable and possible. The exchange rate and credit mechanisms should be extended to include the United Kingdom and Greece. The role of the ECU should be strengthened as part of a general movement towards financial integration, which would allow the creation, alongside the common industrial and agricultural markets, of a more homogenous financial community, with effective means of gathering capital and allocating it to the benefit of economic development.

Does the Community ignore the poorer regions?

In the poorest parts of the Community (Greece, the South of Italy, the West of Ireland), average earnings per head are one-quarter those of the most prosperous areas. The world recession has tended to widen this gulf. Such differences threaten to undermine the unity of the Community and are, in any case, socially unacceptable. Furthermore, the development of poor regions and the recovery of struggling industrial areas are in the interests of everyone. They offer potential new markets to the more prosperous regions. The Community must do something for the poor regions, but what?

- ☐ Community financial instruments are frequently used to benefit the regions. As already mentioned, aid from the European Regional Development Fund to the lesser favoured areas of member states totalled 1.9 billion ECU in 1982. This Fund supports, for the most part, investment in industry, services and infrastructure. It also sponsors measures designed to encourage entrepreneurial initiative. Special development programmes have been started in the Mediterranean area, the border areas of Ireland and Northern Ireland, the regions with the poorest natural energy resources, areas blighted by the crises in the steel, textile and shipbuilding industries. At the same time, aid from the European Coal and Steel Community is concentrated on struggling regions and the European Investment Bank gave 76% of its loans in 1982 (about 2.6 billion ECU) to regional development projects. Almost 90% of European Social Fund grants goes to training programmes in the lesser favoured areas. The Community has undertaken a series of projects designed to modernize agricultural structures in mountainous, hilly and Mediterranean areas. Special interest rate subsidies have been granted to Ireland and Italy within the framework of the European Monetary System. It is estimated that total Community investment in the poorest regions accounts for between 9% and 14% of the total.

- ☐ The Community is studying ways of streamlining its activities in this area. Aid must be increased and also concentrated on the poorest regions or those worst hit by the recession. The strategy will be to nurture the indigenous potential of these regions, by placing the emphasis on small and medium-sized enterprises and investment in intellectual as well as material development. Preference will also be given to integrated programmes, mobilizing all the relevant resources of the Community and the member states. About 6.6 billion ECU over six years is scheduled to be invested in this way in the Mediterranean regions to allow them to cope more easily with the accession of Spain and Portugal. The forthcoming enlargement of the Community to include these two countries will reinforce prospects for peace, democracy and economic development in the Mediterranean basin.

□ The final example demonstrates the Community's concern for the regional impact of its different policies. The Community also ensures that the regional policies of the member states are, to a certain extent, coordinated in the common interest. Harmonized programmes of development for poorer regions are established and levels of national aid fixed according to the seriousness of the problems in each region. The objective is to avoid pointless 'aid auctions', in which regions would bid against one another, and to ensure that the aid available is allocated where the need is greatest.

Is the Common Agricultural Policy inefficient and too costly?

Support for European agriculture is organized by the Community in the interests of farmers and consumers alike. The basic principles of the Common Agricultural Policy (CAP) are a single market, preference for Community products and financial solidarity through EAGGF, the European agricultural guidance and guarantee fund. The Community's market management policies, covering most agricultural products, generally involve some form of protection against imports from the rest of the world and, often, a price guarantee shielding the producer from the effects of sharp fluctuations in production due to the vagaries of soil or climate. The system works through a series of intervention mechanisms, which purchase surplus produce and look for markets for them in the Community and outside.

□ Could the Community do without an agricultural policy or without a common policy? No. Almost all countries in the world have felt the need to protect farmers from the fluctuations of agricultural supply and demand and to ensure secure supplies of food. Community countries most dependent on agriculture inevitably made free trade in farm produce a fundamental condition of their willingness to open their markets to the industrial goods of their neighbours.

□ Has the CAP been successful? Certainly. It helped to promote increased agricultural productivity (averaging 8% a year between 1968 and 1973 and 3.5% a year since the start of the recession). It has also sustained farm incomes in Europe (although with less success since 1974). At the same time, however, the number of farmers has declined sharply, dropping from 20 million in 1960 to 8 million in 1983. The CAP has guaranteed security of food supplies and sheltered Europe from shortages. The Community is now self-sufficient in most sectors and the share of food, drink and tobacco in total imports has been reduced from 30% to 9.5% between 1958 and 1982. Prices, meanwhile, have been stabilized. The world market has seen surges in the price of wheat by 70%, sugar by 62% and veal by 33%, while increases in the Community were limited to between 4% and 2.5%. Agricultural prices within the Community have tended to be more stable than other prices. Between 1978 and 1982 they increased by 9.4% a year, compared to 11.6% for food prices (including processing and marketing costs) and 12.3% for prices as a whole. Since 1963 the proportion of an average European family's household bills taken up by food, drink and tobacco has fallen by a quarter to just 23%. The total cost of the CAP represents only 2.5% of total spending on food. The, on first sight, disproportionate share of the CAP in the total Community budget — 61.5% in 1983 — is explained by the absence of other Community spending policies.

It is, in fact, the very success of the CAP which has brought about the need for an adaptation which will respect its basic principles. The objective is now to achieve the aims of the CAP in a more coherent way and control expenditure. Production in a number of sectors (cereals, meats, dairy products, sugar and wine) has exceeded Community demand and is still rising. The long-term tendency is for increased production of an average of 1.5% to 2% a year. Consumption, due to the small increase in population, is forecast to rise by only 0.5% a year. Potential customers for food in the Eastern bloc and the Third World are already heavily in debt. The consequence is that surpluses, which were once temporary, are now permanent. Stocks are rising (1.8 million tonnes of dairy products at the end of October 1983). Expenditure decided by ministers on agricultural guarantees is increasing more rapidly than the Community's own resources. Between 1975 and 1979 expenditure rose by 25% a year on average, compared to an increase in resources of between 8 and 13%.

For a number of years, the European Commission has been pleading for a healthy basis for the economic development of agriculture. Its plans for the rationalization of the CAP, tabled in July 1983, were based on one simple fact: it is neither financially possible, nor economically healthy to maintain guaranteed prices for unlimited quantities of produce, which bear no relation to market realities.

- ☐ The Commission therefore proposed to extend the modulation of prices and co-responsibility of producers to force them to contribute more of the cost of disposing of surpluses beyond a certain level of production. Guarantee thresholds, already applied in five sectors (milk, cereals, colza, processed tomatoes and sugar, representing 35% of production by value and 65% of Green Europe expenditure) should be extended to hard wheat, sunflowers, dried raisins and, possibly, beef. For milk, the Commission called for a system of quotas, enforced by a supplementary levy, payable on quantities delivered to dairies above the quota. The balancing of the market for fats and oils, in which butter plays a large part, should, according to the Commission, be completed by a tax on oils and fats of vegetable origin.

- ☐ Overall, the Commission proposes a prudent price policy but in some cases — notably cereals — it intends to follow a restrictive line, in order to reduce the gap between Community prices and those received by producers in the major competitor countries. A whole series of aids and subsidies is also to be abolished when the conditions which led to their creation no longer apply. The monetary compensatory amounts, set up to shield producers from the effects of currency fluctuations, must also be abolished in stages over the two marketing years following their introduction. This will restore the unity of the market and eliminate the distortions of competition created by their application over lengthy periods.

☐ The rationalization of the CAP should ensure that the Community holds its place on the world market, on the sound basis of increased competitiveness and reduced public cost. This should allow the Community to adopt methods of promoting exports used by its trading partners, such as long-term supply contracts and credit guarantees. As for imports — of which more later — the Commission is attempting to prevent the situation from getting worse. It has called for a stabilization of corn gluten imports for animal feed.

☐ Finally, the Commission is proposing a shift in its policy for the modernization of agricultural structures. The aim should now be to halt the intensification of production of goods which are permanently in surplus and concentrate investment on the poorer regions and products, sometimes entirely new, for which markets can be found.

Should there be more protectionism (or less)?

The Community has a single customs tariff system for products from the rest of the world. The European Commission negotiates trade agreements on behalf of the whole Community. In other words, the Community has a common trade policy. Is this a policy of protectionism? No.

☐ The Community is the world's most powerful trading partner with import tariffs among the lowest in the world. From the start of 1987, the average tariff on imports of industrial goods from countries without preferential agreements will be 4.6%. This will complete a series of reciprocal and balanced reductions in import tariffs negotiated with trading partners in the 'Tokyo Round'. Trade between Community countries has expanded enormously but this has not prevented a steep increase in the value of imports from the rest of the world. These have risen from 24 billion ECU in 1958 to 321 billion in 1982, when there was an overall trade deficit of 35 billion ECU. In the same year imports amounted to 13.4% of the Community's gross domestic product, compared to 8% in the United States.

☐ The Community is the world's biggest importer of agricultural produce, accounting for about one-quarter of total world imports. Its trade deficit in agricultural produce — 22 billion ECU — is substantial. This situation arises partly because the Community has the most liberal import regime for agricultural produce in the western world. Take produce from developed countries, for instance. Only 15% is subject to the levies, which make up the difference between world and European prices. Of the rest 50% are subject to no levies whatever. Hence the massive increases in imports of animal feed and the growing deficit in agricultural trade with the United States, which rose from 2.9 million ECU in 1973 to 6.6 billion in 1981.

During recent international conferences, the Community put forward suggestions, which are now being examined, that all remnants of protectionism should be abandoned as soon as an end to the recession is assured. International competition provides an incentive to the production of quality goods under sound economic conditions. Who would be likely to buy goods from a partner who closed his own market? A liberal trade policy is vital to the Community, which has to export to cover the cost of the imported raw materials and energy which maintain its standard of living. It is clearly therefore also necessary to ensure that European industry is competitive. As we saw above, this is one of the principal objectives of the European Commission's strategy for improving the economic and employment situation.

Nevertheless, a multilateral and liberal system of world trade can only exist on the basis of fair competition and obedience to international rules. Furthermore, the restructuring which may be necessary in traditional industries must be allowed to take place under economically and socially acceptable conditions:

☐ The Community has no hesitation in acting firmly against unfair practices, such as dumping. It keeps a vigilant eye out for barriers to Community exports and the trade imbalances they cause. Thus the Community is intensifying its efforts to persuade Japan to open its market to foreign goods to the same extent as its main industrial trading partners. The Community has persuaded the Japanese to moderate exports of certain sensitive products in order to allow an orderly restructuring of the European industries concerned. From the United States, the Community, using its weight as a single negotiating bloc, obtained an agreement that severe tariffs on certain steel exports should be replaced by a more beneficial, although still painful, reduction in the quantities of goods exported. More recently, the Community has negotiated with the United States for compensation for American measures against special steel exports.

☐ In Europe, and throughout the industrialized world, the steel and textile industries are going through hard times. The Community has reached agreement with 20 steel exporting countries on a stabilization of their sales which has helped to bolster sagging prices and staunch the loss of jobs in the Community. To allow the European textile industry time to reorganize itself, agreements limiting the growth of imports have been reached with the principal producer countries, whose production costs are often very low.

Is the Third World ignored by the Community?

Far from ignoring the problems of developing countries, the Community, and its member states, are the main source of public aid to the Third World (0.53% of the Community's gross domestic product, compared with 0.14% for the Eastern bloc). The value of technical, financial and food aid, given by the Community as such, totalled over 2 billion ECU in 1982. The Community market is largely open to the products of the Third World:

☐ Without any reciprocal benefit, the Community has abolished customs duties on practically the whole (99.5%) of the exports of over 60 African, Caribbean and Pacific countries who have signed the Lomé convention. Most of the developing countries of the Mediterranean area also enjoy zero tariffs on their industrial exports and reductions for their agricultural exports. At the same time, Community technical and financial aid decided for these two groups of countries exceeds 1.3 billion ECU a year. Long-term loans from the European Investment Bank totalled 450 million ECU in 1982.

☐ All other developing countries enjoy, under the Community's generalized preferences, zero tariffs on their exports of industrial and semi-finished goods, with some quantity limits for sensitive products. They also enjoy reduced tariffs on more than 300 processed agricultural products. The poorest countries are given this franchise, without restrictions, on another 350 agricultural products. The Community has also signed non-preferential agreements on trade and industrial cooperation with a host of countries, including China, India, Bangladesh, Pakistan, Sri Lanka, the ASEAN group (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei), Mexico, Brazil and the Andean Pact countries (Bolivia, Colombia, Ecuador, Peru and Venezuela). Many Asian and Latin American countries also receive financial and technical aid from the Community. Commitment credits for these aids totalled about 210 million ECU in 1982.

Community cooperation with the Third World began in Africa, because of the historical links between that continent and a number of member states. But it has spread to the rest of the developing world through agreements which have set up balanced negotiating machinery which avoids all trace of neo-colonialism. The Community has placed particular emphasis on:

☐ The availability of a stable income to Third World countries, which will allow them to plan their development effectively. Stabex and Sysmin, set up under the Lomé convention, provide a kind of insurance against the falls in export earnings from raw materials which often afflict Third World countries. At the same time, the Community takes part in an international fund designed to stabilize raw material prices.

☐ The struggle against world hunger. The Community intends to reorganize its food aid programmes, which include shipments of almost one million tonnes of cereals a year. It also intends to place greater emphasis on rural development in the Third World, which already absorbs about one-third of its technical and financial aid to developing countries. Finally, the Community supports food strategies designed to allow the poorest countries to get as close as possible to self-sufficiency. A number of pilot projects have been started.

Some might say this development aid and cooperation is too costly at a time of world recession. It is not. Development aid is not only a moral duty. The continued existence of severe inequalities is a threat to world peace and stability. Europe and the Third World are, in any case, interdependent. The Community has to import three-quarters of the raw materials needed by its industries. It pays for these raw materials by selling 41% of its exports to the Third World. Development of the poorer countries of the world is bound to create new opportunities for European industry, which will greatly outweigh the costs to be borne from increased competition and other factors.

Is the Community the servant of the rich?

The Community, like national governments, is sometimes accused of favouring the bosses and the rich, rather than workers and consumers. But the 'Common Market' – the Community's unofficial title – is not only concerned with buying and selling. As mentioned above, from its creation in 1958, the Community fostered economic growth, increased employment and a higher standard of living. Increased competition widened the choice for consumers and held down inflation. A new start in the development of the Community would bring similarly positive results today. A whole series of more detailed examples of Community measures in favour of workers and consumers can be listed:

☐ European directives, which oblige member states to change their national laws and regulations, cover the rights of workers to be informed and consulted before mass redundancies take place and protect existing rights when a business is closed or taken over. The payment of wages to workers when an employer goes bankrupt is also covered. Other Community legislation makes it illegal to discriminate between men and women in pay, job description, social security, work conditions, access to jobs, training and promotion. Workers from one Community country are guaranteed the right to seek work in other member states. Once settled there, the worker has the right to be treated on the same footing as local citizens in matters of pay, work conditions, training, education and housing, union activities and social security payments. This right to establishment in other Community countries has been backed up by agreements on the commonly acceptable criteria for training and experience in a range of professions where a diploma or formal qualifications are required. Other proposals from the European Commission are waiting approval by the Council of Ministers. They include draft legislation on the rights of temporary or part-time workers and the information and consultation of workers employed by large firms and their subsidiaries.

- ☐ A host of European directives helps to protect consumers and the environment. They deal with foodstuffs (legal additives, packaging, labelling), cosmetics, pharmaceuticals and toxic substances, the composition of textiles and the safety of motor-cars and the reduction of pollution in water and the atmosphere. The Community is preparing to take new action against acid rain and industrial waste. It is also planning to strengthen the rights of consumers, both in the protection of their economic interests and by increasing their opportunity to consult with producers. But it is not the intention of directives controlling consumer goods to ensure that everything is standardized. After lengthy consultations with experts and representatives of consumers and manufacturers alike, they are used to replace national standards only when the consumer is at risk. Other Community attempts at harmonization are intended to remove obstacles to free trade. There is no desire on the part of the Community to standardize traditional products, destined for purely local consumption.

- ☐ The European Treaties also give the Commission the right to forbid and punish cartels and abuses of dominant marketing positions. No less than 4 199 cases of this kind were in progress at the end of 1982. The Commission is empowered, at the same time, to forbid state aids which distort competition within the Community to the detriment of other firms and, above all, the consumer. The Commission has, for example, forced a number of big stores to drop suspect clauses from a draft trading agreement. It has imposed fines, often running to millions of ECUs, on firms which had created cartels to force up prices of products ranging from sugar to quinine and hi-fi equipment.

Is the Community a bottomless pit of public spending and a bureaucratic monster?

Criticisms levelled at the Community often imply that it is a massive bureaucracy, an absurd tower of Babel and a bottomless pit of expenditure. Let's put things in perspective.

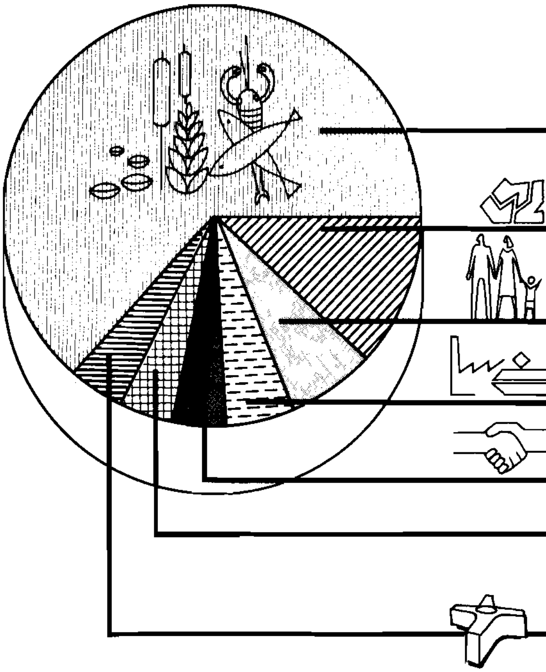
- ☐ For every 100 000 Community citizens, there are 4 200 national government officials but only 7 'Eurocrats'. The European Commission employs about 13 000 people, including 2 700 involved directly in scientific research. When all the Community institutions are included – the European Parliament, the Council of Ministers, the Court of Justice, the Court of Auditors and the Economic and Social Committee – the grand total is still only 19 000, about the same as one large ministry in one of the bigger member states. And yet the Community's activities cover the ground of all the different national ministries. The Community's staff is also made up of one-third translators, interpreters and secretaries whose jobs are made necessary by the need to communicate in seven different languages to the Community's 273 million citizens and their representatives. The Community's services translated 660 000 pages in 1982 and simultaneous interpretation was provided for 8 100 meetings. Within the administration of the Community, the language burden is eased by the fact that officials are expected to be able to work in at least two languages.

Is it possible to judge the productivity of all these officials? In 1982 alone, the Commission made 5 321 independent decisions and sent 675 proposals and 202 memorandums and reports to the Council of Ministers. As a general rule, every action by the Commission is discussed with national officials and experts as well as representatives of interest groups and trades unions. Before the ministers decide, an opinion is given by the directly elected European Parliament and the two sides of industry through the Economic and Social Committee or the coal and steel consultative committee. It is obvious, therefore, that the Commission does not work in an ivory tower. Its officials may use up tons of paper but as Jean Monnet, one of the Community's founding fathers, said: 'It's better to talk to one another than to shoot one another'. In Western Europe the chronic warfare of the past has been replaced by permanent negotiations. This is one of the principal achievements of the Community.

- What does the Community cost? Its 1983 budget totalled 26.5 billion ECU. This is a not insignificant figure but it should be remembered that it represents barely 1% of the gross domestic product of the Community and about 2.5% of public spending by the ten member states. It also works out at just 97 ECU for each Community citizen. Administrative expenditure (on staff, buildings, translations, publications, etc.) takes up only 4% of this budget. Most other expenditure returns to the member states in the form of aids to agriculture or scientific research and social and regional grants. The states would otherwise have to spend this money themselves. It would often cost them much more. The scale of the Community helps to increase the effectiveness of some types of expenditure, by, for instance, combining the best research teams or preventing wasteful competition in the level of regional and industrial aid. Community expenditure is strictly controlled by the European Parliament and the Court of Auditors. Funding does not depend any more on national contributions. The Community has its 'own resources', customs duties and agricultural levies on imports from outside the Community and a share of VAT, currently limited to a 1% rate on a common basket of goods.

Efforts are being made to reform this financing system. The own resources are now being fully used up and their annual increase is insufficient for the needs of a Community, which, unlike the member states, is still developing. To face up to the problems of the day, the Community needs more cash for the fight against unemployment (now only 6% of the budget), supporting the new technologies and reducing dependence on imported energy (only 5% of the budget). The Community also needs extra funds to deal with the problems which Spanish and Portuguese accession will cause for the new member countries and some parts of the existing member states. How can all this be paid for? Partly through economies which the Commission is proposing in the agricultural budget. But the Commission is also calling for an increase of the present VAT limit. Future budgetary policy will continue to be cautious. There will be no question of a 'blank cheque'. The increase in resources will be devoted to policies approved by the member states and the expenditures will be strictly controlled.

The European Community budget, sector by sector, in 1983 *

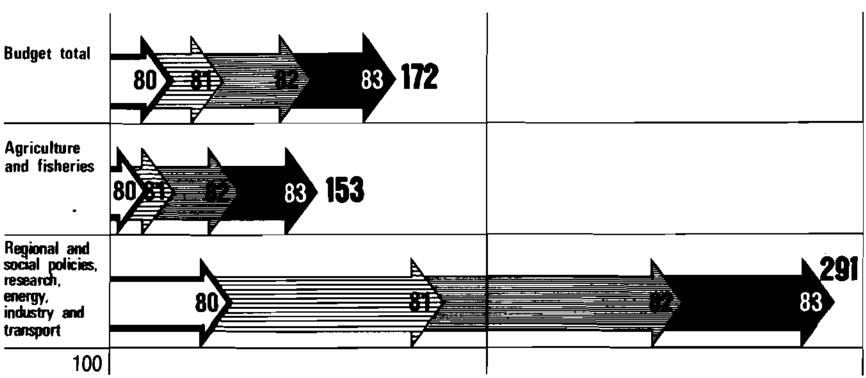


	Millions of ECUs	%
Agriculture and fisheries	16 758	63.2
Regional policy	3 140	11.8
Social policy	1 841	6.9
Research, energy, industry and transport	1 414	5.3
Development cooperation **	1 124	4.2
Others	1 094	4.1
Administration	1 162	4.4
Total	26 533	

* Appropriations for commitments (not including the ECSC budget of 268 million ECU or loans financed by borrowing, which amounted to 5 757 million ECU in 1982).

** In addition, the European Development Fund has a budget of 4 637 million ECU over five years.

Increase in credits 1979-83 (1979 = 100)



Do other countries do better out of the Community than mine?

Comparisons are often made between the amount of own resources collected by the Community in a single member state and the amount spent there by Community policies. How serious is this problem?

- ☐ It caused particular concern in the United Kingdom, which was due in 1980 to contribute 20% of the Community budget but take only 10% of expenditure. Since agricultural spending has mainly been transferred to the Community, and takes up a large proportion of its budget, Community spending inevitably benefits most the member states with large agricultural economies. The problem was made worse by the fact that the Community budget is supposed to narrow the economic differences between member states. The United Kingdom is not among the most prosperous countries in the Community. After lengthy negotiations – if one country was to pay less, others had to pay more – the United Kingdom 'net contribution' was reduced by about two-thirds between 1980 and 1983. To this end, in both 1983 and 1984, the Community was to spend about one billion ECU on aid to chosen sectors of the United Kingdom economy (energy, the regions, transport and employment). Similar aid was earmarked for Germany. In the long run this problem should be resolved by the development of Community policies – industrial and social policies for example – which would channel more benefits to these member states. However, the definition of a lasting formula which allows in the meantime the correction of budgetary imbalances is at present the centre of difficult negotiations between the member states.

- ☐ As past experience has shown, negotiations can lead to just solutions to the particular problems of member states. But it must be stressed that the balance sheet of advantages from Community membership cannot be restricted to shares of the budget. Other factors are often more important than straightforward budget financing. The United Kingdom, for instance, has received loans from the European Investment Bank since it joined the Community in 1973 totalling nearly 5 billion ECU. This money has gone towards the development of energy supplies, infrastructure and industry in the UK. At the same time, the United Kingdom share of export trade within the Community has increased from 8.9% to 13.5%. About 41% of all UK trade is now conducted with other Community countries, compared to 20% in 1958. An estimated 2.5 million jobs depend on this trade. For the Community as a whole, internal trade has increased its share of total trade in the same period from 35% to 50%. Its value in dollar terms has increased 25-fold. The dollar value of world trade has increased 16-fold. European integration has helped member states to build up their trade, strengthen their industrial and agricultural productivity and competitiveness and face up to worldwide competition. As the world's most powerful trading partner, the weight of the Community in international negotiations gives undeniable advantages to all its member states.

Is national sovereignty threatened by the Community?

In signing the European treaties the member states have accepted that agricultural policy, external trade and other matters are better dealt with in common. They have transferred the necessary authority to Community institutions. Is this a reduction of national sovereignty? Yes, but:

☐ The member states have a major role in policy decisions. The Community's Council of Ministers is made up of ministers from national governments who make decisions on proposals put forward by an independent body, the European Commission. The opinions of the European Parliament and the Economic and Social Committee are considered before a decision is taken. Breaches of the treaty are judged by an independent Court of Justice.

☐ For the most part, the Council of Ministers takes its decisions unanimously. When a majority vote is possible, a qualified majority of 45 votes out of 63 is needed. The four largest member states have 10 votes each. A coalition of all four is not sufficient for a majority. Luxembourg has two votes, Denmark and Ireland three each and Belgium, the Netherlands and Greece five each. The European Commission would like to see majority voting used more frequently to get over the bottle-neck of decision-making caused by the insistence on unanimity.

Since 1970 member states have been building up their cooperation in the field of foreign policy, with the help of Community institutions. This European Political Cooperation is, however, based on voluntary undertakings between member states and exists outside the terms of the European treaties. No member state can be forced to take a foreign policy decision against its will. The cooperation process allows member states to coordinate their points of view and adopt common standpoints which strengthen their influence in the world.

The Community is pursuing long-term objectives. When they signed the European Treaties, the member states, committed themselves 'through the creation of an economic community, to lay the foundations of a wider and deeper community' and to 'establish the foundations of an ever closer union among the European peoples'. No-one wants to water down the rich diversity of the different national traditions and cultures in Europe. But the world is dominated by continental super-powers. The aim of the Community is to strengthen the chances of world peace, promote the prosperity of the European democracies, make them the master of their own destinies, and increase their influence over world affairs. This is achieved by pooling certain national powers which their comparative weakness prevents them from using effectively in isolation.

Faced with a world recession, the European Commission is strongly urging member states to 're-launch' the Community. The terms of this 're-launch' have been sketched out above. It means taking full advantage of the scale of the Community to revive the economy and build a better future for its citizens. It means giving the Community the resources it needs to allow it to develop and finding a lasting solution to its budgetary problems. It means allowing the Common Agricultural Policy to achieve its aims more effectively and making the best use of the available resources. It also means the enlargement of the Community to include Spain and Portugal. All this implies an end to the confrontation between conflicting national interests on relatively minor issues and a return to the procedures outlined in the European Treaties. This is the only way to restore to the centre of the debate the overriding interests of the Community and the mutual interests of its citizens.

A draft treaty drawn up by the European Parliament calls for gradual progress towards European Union. Before it can be adopted, it must be agreed by all national parliaments. Any change in the treaty or enlargement of the Community needs the approval of all member countries, according to the terms of their own constitutions. It is up to the people of the Community to say just how far they wish to unite their forces in facing the challenges of our time ■

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Office for Official Publications of the European Communities
L-2985 Luxembourg

ISSN 0379-3133

Catalogue number: CC-AD-84-006-EN-C