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"EUROPE : THE SECOND GENERATION"

- This topic is at the heart of the various articles contained in this number of EUROFOCUS. Several simultaneous events have prompted this choice. It is currently the time for a re-examination of current Community policies in a quest for a new basis for future action in Europe. In this number, you will read :

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EMPLOYMENT : The struggle against the rising tide of unemployment

Faced with virtually unanimous predictions of increased unemployment in the immediate years ahead, Europe is searching for new approaches to the problem.

Recently, ministers responsible for Economic, Financial and Employment affairs of the Ten member countries of the European Community met in Luxembourg to develop common actions to relieve the expected pressure on the job market. Although it certainly was not the first time that the Community Governments individually or collectively had turned their attention to the problem, which has preoccupied Europe since the early 1970s, it was the first time it had been attempted in such a comprehensive and coordinated fashion. The aim was to unite the various interests and expertise of these different officials against the universal disease and see what additional steps they could take together.

Mr Ivor Richard, European Commissioner for Employment and Social Affairs summed up the problem when he told the group : "The way in which unemployment has risen in the past 3 years is nothing short of calamitous. We have moved from some 6 million unemployed in 1978 to almost 9 million at the present time, and it has been estimated that this figure could rise to 12 million by 1985". The problem is all the more dramatic because inflation and economic conditions will almost certainly not allow the creation of sufficient jobs for all the millions of young people and women workers entering the job market during that period.

In addition to confirming the need to combat inflation as a top priority for improving the economic climate in each country, most participants stressed the need for enough flexibility to place equal priority on job creation. They agreed that a number of European Community programmes and funds should be used as tools in this campaign. They agreed that situations were different in the various countries and regions and that this in itself was part of the problem which should be tackled by more coordination between the Member States as well as between the Community and other major economies such as the United States.

In considering the role the Community institutions could play, they indicated that Community's social and regional funds, the European Investment Bank and other investment instruments could be expanded. They should give high priority to financing programmes aimed at stimulating jobs for young people, reducing structural unemployment in problem industries such as steel and textiles, and strengthening the economic and social systems in the least favoured regions of the Community.

While these proposals are not in themselves revolutionary or magic formulae for easing unemployment, they represent a new Community dimension to attacking the problem and may lead to initiatives that will become concrete in the months to come.

ECONOMY : joyless figures

The routine has become well-established by now : every month brings in its share of bad news in the form of economic and financial statistics announcing either record inflation, growing unemployment or trade deficit. There can be no denying the fact that the economic crisis is becoming worse. Traditional economic remedies are just not enough to deal with the gravity of the current situation.

Latest statistics published by the Community's statistical office point to an extremely unhealthy economic situation. This is illustrated by the following examples :

1. Last April, unemployment in the Community (adjusted to take account of seasonal variations) reached 8.5 million, that is 7.7 % of the active labour force. However, unemployment rates have already hit the 10 % figure in Belgium, Ireland and the United Kingdom. For the Community as a whole, the number of unemployed increased by almost 34 % compared with figures for April 1980.

2. The growth in consumer prices has yet to slow down : + 1.2 % in March and + 1.5 % in April. The annual inflation rate has now reached 13 % for the Community as a whole.

3. Compared with the same period last year, industrial production in Europe of the Nine (excluding Greece), dropped by 6.5 % in March. The fall in industrial production in the United Kingdom (- 10.3 %) was particularly dramatic. Steel production alone was 6.8 % lower than in the first four months of 1981, compared with the corresponding period last year.

4. The European Community's trade deficit is considerable despite a slight slowdown perceptible recently. EEC imports totalled 3 billion Ecu* more in February 1981 than European exports. The deficit was shared between France, the Netherlands and Italy.

5. The last twelve months have seen a 21 % fall in the exchange ratio between the dollar and the Ecu. In April alone, the American dollar was valued at 6 % higher than the Ecu. This results in the rocketing of the EEC's oil import bill, which is calculated in dollars. Combined with the spiralling American interest rates, which influence those in Europe, this means an increase in prices and makes the struggle against inflation all the more difficult.

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* On June 1, 1981, the value of the European Currency Unit was 0.536156 pounds sterling and 0.692214 Irish pounds.

REGIONS : The launching of four special programmes

Two years after revision of the rules of the European Regional Development Fund (ERDF), the shift envisioned by planners for regional aid policy is finally being realised.

Since the creation of the ERDF in 1975, the resources managed by the Fund had been divided between the Member States under a national quota system. But a "non-quota" section was created in 1979 to allow the Community to develop multiannual integrated programmes aimed at regions not included in development zones aided by the Member States.

The first four of these programmes under this new "non-quota" section have just been approved by the European Commission. Two of those operations involve improvement of the economic and social situation in Irish border regions. The third is connected with the strengthening of the economic structures in the Greater South West region of France (Aquitaine, Midi-Pyrénées, Languedoc-Roussillon). The fourth is aimed at improving energy supplies in the mountainous regions of the Mezzogiorno. These no longer involve just individual projects, as is the case within the quota system of the ERDF, but instead represent programmes comprised of a series of complementary operations.

Some of these operations take on a shape that is unusual under the ERDF. For instance, they involve financing of market studies, the engagement of consulting firms by small and medium-sized companies, agencies for the dissemination of information or managing the housing of tourists in a rural environment. More traditonal investments can also be financed if they fit in harmoniously with the programme being developed.

The Regional Fund will contribute a maximum of £ 49.6 million over five years for these four programmes. Other programmes are also awaiting approval by the European Commission in the coming months.

These first initiatives demonstrate a new European approach to regional problems. They are based primarily on the acknowledgement of the fact that small and medium-sized companies are a key factor in many regions. That's why they involve mostly aid designed to stimulate and support activities that might not otherwise receive support because of an unfavourable economic climate. In the case of such aid, the Community share can cover up to 70 per cent of the expenses incurred.

AGRICULTURE : Getting at the root of the European farm problem

In one way or another, everyone in Europe and even elsewhere has a stake in the forthcoming debate on how to manage the Community's common agricultural policy.

The first thorough European debate on agricultural policy since 1968 is not just about the Community's 9 million farmers and agricultural workers or even about the price of beef or dairy products, important as those considerations are. First of all, there are millions of other people employed in the food processing, distribution or other related sectors, accounting for 22 per cent of the total employment in Europe, who are also directly affected. Impossible to overlook in this discussion are the interests of the 260 million consumers in the 10 Community countries whose daily shopping basket prices, and therefore their whole consumption patterns, are also involved. Countless other producers in the developing world and other major agricultural producing countries are watching this discussion as well.

The last major review of the European farm policies came in 1968 only a few years after the creation of the truly integrated farm market, and it concerned the need to narrow the income gap between the farming population and the rest of the labour force.

This time, the discussion involves the efficiency of the EEC agricultural policies and the entire Community itself. The basic issue is : can the Community continue to devote nearly 70 per cent of its total budget to programmes characterised by over-production in several sectors while industrial, social, region or other Community activities are running out of funds just at a time when they are most needed ? This is the issue which the EEC Council, Commission and Parliament will be debating in the coming months.

The Parliament debated the issue at its June session. As might be imagined, virtually all shades of opinion were represented in the discussion of a report and proposal from the Parliament's Agriculture Committee. The report, prepared by its chairman Sir Henry Plumb, former leader of the British farmers' organisation, proposed significant changes, such as the imposition of limits on production and taxes to discourage overproduction, although it did not call for a fundamental revision of the common agricultural policy. During the debate, however, it was clear that some parties or speakers wanted to drastically alter the policy or even scrap it altogether. In the wide-ranging debate some 80 amendments to the report were offered and 38 adopted. In the end, it was adopted by 147 votes to 76, with 33 members abstaining. A main addition to the proposal was the recommendation that the interest of developing countries be given greater weight in extending a system which has guaranteed food to Europe for years, but which is in need of serious re-examinatio

COMMISSION : What's the "May 30 mandate"

In European circles these days, the issue which arouses the most passion is the one of the "May 30 mandate". For many, this obscure expression doesn't mean very much. The whole issue dates back to May 29 and 30, 1980, when the European Community Council of Ministers had to resolve the difficult problem surrounding the British contribution to the Community budget. Great Britain, prior to that, had been complaining that it had been paying much more than it received from the Community budget. Ministers of the nine member countries at that time adopted a temporary solution whereby Britain would be reimbursed a significant portion of its net contribution to the 1981 and 1982 budgets. But this measure could not be renewed or extended beyond this period. That's why a definite solution had to be found to avoid a similar "unacceptable situation" from developing again with this or another Member State.

It was in this light that the ministers of the Community countries on May 30, 1980, asked the European Commission to permanently resolve this problem. This mandate had to be fulfilled before the end of June 1981.

The text adopted by the Council specified that the "review should be on the development of Community policies without casting in doubt either the joint financial responsibility for these policies which are financed by Community's resources, or the basic prinicple of the common agricultural policy".

In the ensuing year, the European Commission has methodically examined the different options available. It was at the Belgian coastal resort of Knokke on June 24 that it completed the drafting of the recommendations it was to submit to the Member States.

While a detailed analysis of the text adopted by the Commission has not been completed, it is generally agreed that the Commission wants to go beyond a strict interpretation of the mandate assigned to it and seeks a wholesale reform of Community spending and a shift in priorities of the joint policies.

During a recent declaration to the Parliament, Gaston Thorn, the President of the Commission, insisted on the importance of the reforms to be proposed.

At that time, he said that "The conflict inside the Community on the subject of its finances is a political crisis which puts into question the unity of our projects and which risks leading to a paralysis of our institutions. Public opinion, like the Parliament, should be clearly aware of what is at stake".

The May 30 mandate is especially linked to a problem which has become acute during the past two or three years, the exhaustion of the Community's financial resources. These resources come from the customs duties levied on products entering the Community, levies applied on imported agricultural products and from a portion of the value-added tax collected by the Member States. This percentage is currently limited to 1 per cent, which locks the Community budget within bounds which have become too tight to allow the development of new common policies required because of the economic crisis. By itself, the agriculture policy absorbs nearly three-quarters of the Community's resources and prevents the social, regional, industrial or other policies from increasing in importance. As a result, the Commission discussions were leaning toward two major points. One was the recommendation that at some point, the financial resources of the Community be increased by raising the one per cent limit of VAT collections contributed to the budget. Through this, new Community policies and programmes could be launched or existing ones expanded, without having to disrupt the common agricultural policy.

Another approach emphasises the need to reduce agricultural expenses in order to balance the funds currently available for other Community activities.

There should also be an effort to cautiously reform the common agricultural policy since virtually all experts and political sectors believe that a "renationalisation" of the only truly Community policy should be avoided. This would remove one of the main pillars of the Common Market.

The Commission is seeking to find a compromise between two extreme views. It suggests certain modifications of the agricultural programmes but also an increase in the spending for other activities. The contribution of the United Kingdom to the budget, and especially farm spending, would also be reduced since that country benefits little from the activities of the Community agricultural Fund.