

European Community



European Community Information Service
350 Sparks Street, suite 1110, Ottawa, Ontario K1R 7S8

INFORMATION NOTE

HOW THE EC SEEKS TO RESTRUCTURE AILING INDUSTRIES

The following is adapted from a speech by the EC Commissioner for Industrial Affairs, Etienne Davignon, in Berlin on 22 May 1978:

The economic framework has been deeply altered by the breakdown of the Bretton Woods monetary system, the worsening of the raw materials situation, the repeated claims by Third World industrializing countries for the reform of international economic relations and by the growing importance of environmental questions in the industrialized nations. These changes have compelled the European Community to face a showdown in various areas. During the pre-1973 period, an above average rate of growth eased; the integration of national economies and the process of adaptation involved; the situation has changed drastically over the last two years or so. As the survival of some economic sectors is in question, the trend is to shift back to the national economic framework. We have seen two reactions along these lines, both dangerous threats for the Community: first, the request for substantial protectionist measures, which can harm the vital interests of the Community, as the world's largest trading partner; secondly, the interventions by member governments through subsidies or administrative protectionist measures which threaten the unity of the Common Market and distort competition.

Under these circumstances, our first goal must be to maintain the level of integration we have already reached. Nevertheless, the Community must react politically to phenomena which raise questions about the basic political consensus. In order to perform this task, it is not sufficient to call to order those who have violated the rules of the game. On the contrary, to be able to ensure the continuation of the Common Market and of the free-market economy, the Community must intervene by granting aid if, without such intervention, the adaptation process is likely to cause unbearable social and political consequences. Such a Community structural policy should be restricted to those areas which are genuinely threatened. This policy should not aim at preserving outdated structures but at easing and speeding up the unavoidable adaptation that new demand conditions require.

A Community industrial policy is therefore essential in order to save from the economic crisis the social market economy to which the Community remains faithful. The means available to the EC are competition antitrust policy and aids, and they can be used in two ways: by applying an appropriate policy on agreements between enterprises and by extending the control of aids to the direct and indirect transfers of public funds to state enterprises, since such transfers are equivalent to aids. But, on the other hand, the Community must also help to make socially

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acceptable the results of cut-backs to reduce excess capacities, and at the same time help to create new jobs. Finally, where necessary, the EC must try to make its partners understand the need for an orderly adaptation within a fixed timeframe.

Obviously, measures to restructure the most threatened industrial sectors must not harm to the EC's basic interest in an open trading system. This method has been used in three of the industrial sectors most hurt by the crisis: the iron and steel industry, for which the European Coal and Steel Community Treaty provides the Community with special means of action; shipbuilding; and the textile industry, specially manmade fibres. Such a procedure can be carried out only with the close cooperation of EC member governments and the social partners (labour and management); without this cooperation, "beggar-my-neighbour" type reactions would destroy a pragmatic but consistent approach.

That the Community is limiting its interventions to the critical cases does not mean that it will never intervene except when the change threatens to become irreversible. To be able to act in a timely manner, we must find ways to identify those structural shifts of significance for the whole economy. Such an alarm system makes it possible to discern quickly enough the ailments and to ease the structural change, while increasing the effectiveness of the market mechanism.

It is not suggested that the Community become a hospital for sick industries. Any EC action to favour its growth industries is as important as the strategy designed to restructure industries in difficulties. Consequently, we need to strengthen the framework of the Common Market and of Economic and Monetary Union, to work out a global growth policy for the EC and to adopt common rules for sectorial aids by member governments. In aeronautics, in data-processing and in other cases, we must open markets and combine industrial capacities so that we reach the scale required to compete internationally. Besides such a structural policy, the main thrust of an EC industrial policy will still be to create the conditions that will lead to a single large economic zone that will boost industrial efficiency. This goal, which is attained specially by legislation, is the really durable element of the EC's industrial policy. It aims at providing EC firms with a new dimension for their economic activities, a national market on a continental scale.
