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THE SOCIAL DIMENSION OF EUROPEAN INTEGRATION:

UNION PRIORITIES IN THE 1990's

Sorrento, 8-10 November 1990

*EUROPEAN REGIONAL ORGANISATION OF THE INTERNATIONAL FEDERATION OF
COMMERCIAL, CLERICAL, PROFESSIONAL AND TECHNICAL EMPLOYEES*

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FOREWORD

This background report has been drawn up by the EURO-FIET Secretariat to provide a basis for discussion at the 6th EURO-FIET Regional Conference, which will take place in Sorrento, Italy, from 8 to 10 November 1990.

The report attempts to address the new realities that face EURO-FIET affiliates in a substantially changed Europe. With the largely peaceful revolutions in Central and Eastern Europe and the economic transformation there, we have no option but to look at European integration with a much broader perspective.

The process of European integration is no longer a concern of the twelve members of the European Community or the six members of EFTA. A new Europe is being constructed and it is vital that trade unions play a central role in this.

The report ties together all those major influences that will change the context of union organising and negotiating abilities into the 1990's. It also takes a more detailed look at the elements of the Internal Market proposals which will have an impact on the various EURO-FIET trade sections. The sheer volume of the directives mentioned is a good indicator of the depth of changes facing us all.

Part one of this document begins with a snapshot of the changes which have characterised the 1980's and will shape the 1990's; it continues with an overview of the many strands of European integration, including the opening up of Central and Eastern Europe, and then sets the scene, in part two, for a detailed examination of the 1992 process as it affects EURO-FIET, concluding with part three, which considers the social dimension to European integration. The concluding chapter attempts to map out a vision of Europe that trade unions can support - a Europe where the social dimension to European integration is to the fore.

Philip J. Jennings
Acting Regional Secretary

PART ONE: THE NEW EUROPE

INTRODUCTION

1. History really does seem to be speeding up. The last 10 years have witnessed profound changes in the manner that goods and services in Europe are produced, marketed and distributed. These changes have been driven primarily by the revolution in technology, growing competition in the international marketplace with the added pressure of deregulation in many sectors. It has been a difficult decade for trade unions which faced unprecedented challenges in the workplace which questioned even their right to exist. Yet they have survived and shown that workers in changing circumstances need the support of collective organisation as much as ever before.

2. The last 5 years have seen the process of European economic integration take off with a vengeance. What used to be only an ill-defined goal of a "Common Market" has metamorphosed into a precise programme with a count-down towards a deadline, known the world over simply as "1992." The 300 proposals contained in the 1985 White Paper on Completing the Internal Market are being relentlessly agreed in a political process which now enjoys an unstoppable momentum. The Single Market is the foundation for an even more far-reaching process of economic, monetary and political union which requires substantial amendments to the Treaty of Rome and will change our societies profoundly.

3. The last year has seen a political earthquake rock Central and Eastern Europe. The iron curtain has been torn down by popular protest in the name of freedom and democracy. Now the people of eastern Europe face a grinding struggle to build democratic institutions on a social foundation decaying through years of repression, with economies ill-equipped to make the transition to market disciplines. With ideological confrontation on the wane, with East and West warming towards friendship as the Cold War recedes, there seems to be a unique opportunity to build what has been termed a "Common European House." The hope is for the whole of Europe and Europe whole. While the prospects for lasting peace are now higher than at any time since the end of the second world war, the gulf crisis demonstrates the fragility of an interdependent world where regional conflicts can quickly have global consequences.

4. These three profound series of changes add up to a transformation which will create the social, political and economic fundamentals in the New Europe for at least the next generation. It is therefore a time of unique opportunity which presents trade unions with an unprecedented challenge to respond swiftly and imaginatively to new basic realities of European society while continuing to meet the evolving needs of people at work as the workplace itself is redefined.

AN ECONOMIC SNAPSHOT

Wide Angle: The Global Marketplace and Economic Trends

5. The thawing of the Cold War reinforces many trends which have been apparent in the global economy during the 1980's. The world economy is increasingly integrated through trade, which continues to grow faster than global GDP. Domestic markets are being leveraged open to international competition and deregulation has been the order of the day, particularly

in the financial sector where the markets now operate as a seamless 24 hour web of transactions. Truly global multinational companies are now emerging and services account for over half of all foreign direct investment. The total stock of overseas foreign direct investment accounted for by services now stands at 40% and will soon overtake the global total built up over decades in the manufacturing and extractive sectors. More and more, services are the key both to employment and competitiveness in the developed countries. In this light the liberalisation of trade in services which is a top priority of the Uruguay round of GATT negotiations takes on great significance.

6. Whereas foreign trade and investment used to be dominated by the US, there are now three emerging economic blocs, centred around North America, Europe and the Western Pacific Rim. The trend is very much towards regional integration, of which the European Community is the trail blazer, and towards more limited regional free trade arrangements, such as that proposed for Latin America. These concentrations tend to make the position of developing countries in the world economy even more marginal. Most trade and investment now occurs between the developed economies, with the USA being a prime recipient for both direct and indirect investment, due to its trade deficit. The largest foreign investors, by definition, are those countries with the greatest trade surpluses; Germany and Japan also show the heaviest proportion of services in their foreign investment, at 60% and almost 80% of the total respectively. In order to quell criticism directed at its trade surplus, Japan is rapidly shifting production abroad and the new united Germany will be less prone to trade surpluses as resources are poured into integrating the unified economy.

7. Developing countries are weighed down by debt, are heavily dependent on volatile commodities markets for their export earnings, and even with cheap labour they do not have the infrastructure to compete in many world markets. When disastrous fiscal and trade policies of import substitution are combined with the lack of democracy, as has been the case in many developing countries, the results are plain to see. Resources have been wasted on military spending and many foreign credits have escaped in the form of capital flight. Meanwhile it is the people who will continue to pay the price until the debt crisis is resolved and economic growth resumes.

8. While economic growth has been strong in the developed economies during the second half of the 1980's, the problem of underlying trade imbalances makes the prospects for the world economy less robust. Currency volatility continues to be a source of instability and efforts to build a new system of global economic management have not been inspiring, although the European Monetary System has to date surpassed original expectations. Whether it will survive in the transition to full economic and monetary union will provide an important test case of how international economic management might evolve in future. A further source of instability, which afflicts especially the US and UK, stems from a credit boom based on low quality finance, what the Americans term junk bonds. In the US, the junk bond crisis and the spree of leveraged buyouts has spread, as a result of deregulation, to the savings and loan industry which now needs the biggest bail-out in financial history. In the UK, heavy debt loads are beginning to push companies under as the economic climate worsens. However, most of Europe has avoided the excesses which the credit and resulting acquisitions boom has resulted in across the Atlantic. None the less, Europe has been experiencing a 1992-inspired wave of mergers and takeovers which will have far-reaching consequences for the workers involved.

9. The new Europe with a single market in excess of any other economic unit, is often compared with the US economy. One crucial difference however is that the US is a compact shape with the main economic concentrations around the periphery. This has led to the building up of an extensive transport network linking most cities on the periphery with the internal rural hinterland. The geography of Europe is just the reverse, with economic activity concentrated in the centre with underdeveloped transport and communications links to the often inaccessible periphery. The Single Market will simply emphasise this tendency and unless

strong efforts are made to redress market failure, wealth and development will tend to be more and more concentrated in the heartland of Europe at the expense of the outlying regions, particularly in Southern Europe. Not only transport and communications infrastructure needs to be upgraded to counteract this imbalance, but regional policy in Europe needs to be active enough to reverse the decline of old industrial areas as well as boosting the poorer localities. Unless economic and monetary union are used also as a tool of regional policy then the ingrained tendencies in the internal market will work towards more inequality.

10. Growth has helped reduce unemployment but in Europe especially it has remained stubbornly and unacceptably high. While in 1985 unemployment averaged 10.9% within the European Community, by 1990 it had fallen only to around 9%. This is still about three times the level of unemployment in 1973, before the first oil crisis. Even though economic growth peaked at around 5% in Europe during the late 1980's, it averaged only 2% over the decade as a whole, which compares poorly with the US figure of 2.8% and Japan at 4.2%. An overall rise in employment, as more women in particular enter the labour market, has been accompanied by a persistent hard-core of increasingly long-term unemployment which disproportionately affects the young. Between 1983 and 1988 the number of long term unemployed rose by more than 22% in the European Community, to 7.3 million people who now comprise more than half of all the unemployed. This unemployment is deeply structural in nature; it is regionalised, varying between 1.7% in Luxembourg and 16.5% in Spain; many local labour markets are down to only fractional unemployment, others are moribund; it is concentrated among the young; and with capacity utilisation at the upper limits, localised skilled labour shortages are appearing. All this points to a chronic failure in training and retraining to meet the challenge of building the social infrastructure of a high-tech, knowledge-intensive service and information economy of the future.

11. The economic approach to unemployment and many other problems in modern service economies is appreciably different to the tried and trusted remedies which have served us reasonably well in the post-war period. Unemployment is no longer mopped up as activity in the economy picks up after a recession. The links between education, training, retraining, skill development and career planning are much more complex as the number of skilled jobs expands and unskilled areas of the economy contract. The interdependence of many skills and complex processes mean that knowledge and competence bottlenecks quickly build up. Product cycles are ever shorter and the lifetime of industrial processes and even whole industries are often much shorter than a person's average working life. This means that people now need not only to change jobs via the labour market but retrain for new careers perhaps several times in their working lives. Labour markets as they have tended to work in the past, as haphazard affairs, are simply going to be inadequate for future needs. A new era of active labour market policies will be essential on the part of public authorities while companies will be forced to make human resource management a central part of their business operations. In the Single European Market, education, training and labour market policy look set to reside mainly at the local and national level and so there will be a plethora of incompatible systems and standards in an increasingly transparent set of product markets across Europe. If any one area of policy had to be chosen by trade unions as the one which would have a determining role in working life, it would be this issue of education, training and skill development.

12. The European Community is a long way from establishing a single labour market which could match regional supply and demand for labour. There are fewer nationals working abroad in the Community than there are unemployed (around 15 million). France has the highest figure with about 600,000 resident workers of other EC nationalities. Another category of worker comprise the transnational frontier commuters; there are 35,000 from France working in Germany, for example. They are mostly higher skilled people in search of better pay and working conditions. In the past there have been large scale movements of workers from the poorer peripheral regions and this is still a feature of the construction industry and the tourist trade. One aspect of the social dimension of the single market is the proposal to allow the

transfer across borders of financial entitlements tied to pay, such as pensions and social security benefits. The persistence of long term unemployment in the European Community is caused partly at least by the inability to match workers with the required skills in the necessary location. It is estimated that of the long term unemployed, 3 million are without work due to a lack of geographical mobility, and 1,5 million because they are not mobile enough within professions and occupations. Without co-ordinated active labour market policies, these mismatches are unlikely to be resolved and with the opening of east European labour markets, a plentiful supply of skilled workers who are willing to relocate has come on the scene.

Sharp Focus Foreground: The Firm and Workplace Issues

13. The decade of the 1980's has seen corporate profitability rise since the recession. In many countries, the share of wages in national income has fallen. New priorities have been forced onto the collective bargaining agenda by trade unions. While pay is still a central concern, the issue of reduced working time, as a means both of creating employment and improving working conditions, has shot to prominence. The target of a 35 hour working week is now more and more realised in agreements. Opening hours has also been a major concern, as an aspect of the so-called "flexibility" debate, which also includes pressure from employers to move towards performance related pay systems and individualised remuneration. Equality for women at work, supported by equal opportunities policies and pressure for child-care facilities is now a major trade union goal.

14. Offices and other service workplaces which were once thought to somehow intrinsically embody good working conditions have become major sites of concern over health and safety issues. Trade unions have been in the forefront in pressing for improved standards in relation to visual display units, and have alerted their membership to the epidemic of carpal tunnel syndrome, the prevalence of office ozone and the rash of sick buildings. The image of "clean, safe" service sector employment has been tarnished also by the prevalence of dreary, low paying service jobs which stunt rather than encourage the fulfilment of human working potential. Workers and their trade unions are increasingly confronted with the dilemma that "the future is service sector employment but there is no future in many service sector jobs." In such an environment there can be no doubt that trade unions are vital in boosting the situation of service workers yet it is a never-ending challenge to recruit and retain membership in sectors where there are formidable obstacles to trade union organisation, whether stemming from the character of service employment itself or put there deliberately by hostile employers. Yet without committed, motivated and enthusiastic staff, a key aspect of service sector jobs, which is to serve the customer, will prove impossible. This is a contradiction which will haunt employers and their personnel policies until they accept the relation between good working conditions and good service.

15. Other economic trends in the 1980's affecting the firm have also tended to undermine attempts to build the necessary "human infrastructure." The catchword of employers during the 1980's has been "flexibility." By this they mean one-sided flexibility which shifts most of the costs and difficulties of dealing with more competition and complex problems onto the backs of working people. There has been a growing use of part-time, temporary and precarious employment to offset increased risks and volatility in markets. Both pay and working conditions tend to be inferior within precarious employment; many thresholds for qualifying for benefits such as maternity leave or pension rights are not reached. The growth of precarious employment reinforces the growing polarisation in service sector employment between highly qualified, high paying employment and a mass of deadend service jobs which are low paying and offer little or no scope for career development or personal progress. This in turn builds on the legacy of unemployment and public sector spending cuts which have led to growing inequality and an increase in poverty. Though the single market may spur growth, the

challenge of distributing wealth in a fair and efficient way across the whole of Europe is a major challenge. We risk creating not a Single European Market, but a two tier, double standard market with a host of second-class service sector citizens.

THE HUMAN AND ENVIRONMENTAL BACKGROUND

16. These economic trends are occurring against a demographic backdrop of rising numbers of elderly people and a drought of young people entering the labour market. For example, in Germany between 1980 and 2000, the number of people between the age of 15 and 19 will fall by 42%, (to be offset somewhat by the impact of reunification). In Italy the figure will be 32%, in the UK 19%, in France 10. At the other end of the age range, the proportion of the population aged over 65 in Germany, for example, will jump from 15.5% in 1980 to 22% in 2020 and 27% by 2040. Though Germany exhibits the biggest increase, the age dependency ratios in other European countries, which express the population over 65 as a percentage of the working population, will rise from around 20% to nearly 40% over the next 40 years.

17. Increased competition for young workers has led employers to reappraise their policies in relation to women workers. Women, who have tended to be treated as an expendable labour resource, to be used when necessary only to be discarded when child care responsibilities come into competition with work, are now finding that employers are beginning to take a different line. Child care facilities and career breaks are being offered to women in an attempt to coax them back to work after having children. Employers are beginning to realise that an investment in skill and expertise is being wasted if opportunities to combine family and work responsibilities are not available. Part-time work and temporary contracts, which used to be offered only on the employer's terms are now being sought by men and women to match their working and private life needs.

18. The demographic time bomb is also one of the factors behind the deteriorating position of health and social security funding systems. Growing numbers of older people put more demand on health care systems at a time when there are fewer people working to fund such expenditure. If you add in the technical improvements which are continually being made, then a figure of 2% annual increase in health care funding is needed just to stand still and maintain current services.

19. The whole question of immigration policy in the European Community takes on a new light both against this demographic backdrop and in view of the free circulation of people within the single market. What used to be a question of controls on the entry of third world citizens and the provision of employment and welfare opportunities for those who are admitted is now more complex. The immigration question has been a fertile breeding ground for Neo-fascist ideas, particularly in France. Some governments have also offered cash incentives for immigrants to return to their native countries, for example, the 10000 DM on offer to Turkish immigrants in Germany. There is a massive supply of underemployed labour in North Africa and the Middle East and illegal immigration is impossible to prevent. Italy in particular has an illegal immigrant population approaching 1 million and was forced to adopt comprehensive immigration controls for the first time as a requirement for the Shengen agreement which recently removed all border restrictions on travel between the Benelux countries, France, Germany and Italy. This issue has been a theme of the Italian Presidency of the European Community and highlights the development cause of the southern Mediterranean. The Italian Foreign Minister has spoken of a development aid target of 1% of GDP, half of which would go to the Third World, one quarter to Eastern Europe and one quarter to the Southern Mediterranean. Immigration and the free circulation of people within the single market,

whether of Community citizens or not, is likely to be a major labour market issue of concern to trade unions over the coming decade.

20. For many years pushed to the bottom of the political agenda, the fragility of the environment in the face of population increase and economic growth is now a major political priority. The changes in Central and Eastern Europe have transformed not just the political and economic map, but also the environmental landscape of Europe. In the eastern half of Europe, an environmental disaster was revealed by the ending of censorship and the new realisation that environmental problems are no respecters of frontiers has given an added impetus to environmental policies in Europe. The figures for Central and Eastern Europe are as devastating as the pollution; 55% of East German forests are damaged, while 40% of waste water is untreated. In Czechoslovakia, equivalent figures are 70% and 30%. In Poland, the Silesian industrial belt is simply described as the most polluted location of Europe.

21. Concerns over nuclear power and the disposal of nuclear waste; depletion of the ozone layer which protects the earth's surface from harmful ultraviolet radiation; global warming and prospect of climatic change; exhaustion of fossil energy sources and raw materials; the extinction of plant and animal species following the destruction of habitats; the dangers of toxic chemical waste and the problems of disposal; these are just some of the major environmental issues and the list is growing. Each country has wildly divergent national standards relating to the environment, which makes protecting the European environment more difficult and also holds up economic integration. Companies are also being warned by the European Commission not to think about trying to gain competitive advantage from lower environmental standards in eastern Europe. There is a growing realisation that high environmental standards go hand in hand with commercial sense, and corporations are now falling over themselves to display their "green" credentials, merited or not, helped no doubt by the wide public acceptance of the principle of "the polluter pays:"

22. All new cars in the Community will have to be equipped with catalytic converters by 1992. The European Commission has also prodded governments to cut emissions of sulphur dioxide from power stations, a major contributor to acid rain. Though most attention has been devoted to establishing the regulations necessary to control pollution in the Community, attention is now shifting to better implementation policies. Initiatives include environmental taxes, new spending programmes (currently only 0.1% of the EC budget is spent on environmental programmes) and best practice agreements. Trade unions have sought to broaden their concern with the workplace environment to the general environment as the two issues are seen to be inseparable. Jobs and cleaner, safer employment can be created through investment in higher environmental standards. The peace dividend gives a ready source for such funding.

THE LOGIC OF ECONOMIC INTEGRATION

Background

23. For almost 30 years the aspiration embodied in the Treaty of Rome to create a single European market for the free circulation of goods, services, capital and labour made only limited progress. Until the mid-1980's the major achievement of the Common Market was the infamous Common Agricultural Policy of farm support, which was responsible in the public mind only for the crazy landscape of butter mountains and wine lakes. The extension of the European Community from the original six to a prospective 12 had made the political process of decision-making by unanimous voting a stalemate of vested interests. Meanwhile the economic

imperatives for the creation of a single market of 320 million people had been strengthened and multiplied. Japan had become an indisputable economic power with a seemingly inexorable ability to enter and dominate successive export markets. Financial deregulation had created a global financial economy where capital flows dwarfed the ability of all but the largest countries to keep control over their economic and monetary policies. The time was ripe for institutional changes which would make the complex process of building the internal market feasible.

24. The Single European Act, which amended the Treaty of Rome, came into force in July 1987 after being ratified by all Community states. It allowed the practice of qualified majority voting to speed up decision-making in the Council of Ministers on directives necessary for the Single European Market. Only areas relating to taxation, the movement of employees and employee rights were explicitly excluded. States were allotted a number of votes roughly in proportion to their populations and a majority threshold of 54 votes out of a total of 76 was selected which prevented any two countries from blocking proposals. A Commission "White Paper" on Completing the Internal Market, which contained 300 proposals necessary for creating the Single European Market, was published in 1985 and a deadline of the end of 1992 was set. The new approach also moved away from any attempt to harmonise in detail product standards or regulatory controls. The techniques of mutual recognition and home country control were adopted as the only practical way forward.

25. With the new decision-making machinery, sufficient progress was made to bridge the credibility gap and the 1992 process took on a momentum of its own. With the psychological threshold breached, businesses, trade unions and governments began to plan and prepare for the eventual single market without being entirely sure what final shape it would take. Other more controversial elements such as Economic and Monetary Union and the social dimension to the internal market became increasingly important if the market as a whole was to develop in a balanced fashion. Though many commentators expected the revolutions in Central and Eastern Europe to distract the European Community from its goal of integration, the reverse has been the case. From its origin the Community was intended to bind together economically and politically, countries which had twice pitched the world into war. Now that Europe is no longer divided, it is seen as the core of a new Europe and the goal of integration is beyond dispute; what is debated is simply the balance between the widening and deepening of the Community.

Philosophy

26. The free circulation of goods, services, labour and capital was not simply an abstract objective. It was meant to increase economic activity, exchange and competition. Research was carried out by the European Commission which sought to quantify the economic costs of what was somewhat ungainly termed non-Europe, or the failure to secure economic integration. Various estimates have been made ranging from gains of about 2.5% to 6.5% of Community GDP. This would mean that average growth rates would be about 1% higher than otherwise in the years up to 1992. While the extent of these direct gains can be disputed and some of the estimates have been overly optimistic there is a broad consensus that integration would increase growth. By the mid-1980's, most tariff barriers and quantitative restrictions on trade had been largely eliminated. Remaining barriers were in the areas of technical regulations; customs, frontier and administrative burdens of intra-Community trade; restrictions in public purchasing procedures, and finally restrictions preventing free engagement in services. In fact, freedom of services might be classed as the central element in the integration process.

27. As the detailed sections later in this report will show, considerable progress has been made in the direction of freedom of services. Perhaps the most notable development has been in the finance field where the abolition of all exchange controls has now been agreed in principle, if not yet implemented in all countries. In banking, while there have been many small

moves towards the single market, the linchpin came with the agreement of the Second Banking Co-ordination Directive, which will establish a single banking passport on the universal banking model and will allow full freedom of services from the beginning of 1993. However, response to these changes has been mixed. Deutsche Bank for example has been pursuing a path relentlessly towards the status of European bank, with purchases such as its £1bn takeover of Morgan Grenfell. The Credit Lyonnais has been pursuing a similar, if lower key path with the purchase of many small and medium sized banks to give it a branch network across Europe. Most other banks are relying on forming alliances to build up partners in other countries. More striking than crossborder mergers has been concentrations in domestic markets, particularly in the smaller countries, such as Denmark, Netherlands, Sweden and Switzerland.

28. The picture of the impact in other sectors would also show wide variations depending on the nature of the sector, its structure and the sort of market which is involved.

ECONOMIC AND MONETARY UNION

29. The impetus towards economic and monetary union stems from three concerns. The first is the success of the exchange rate mechanism of the European Monetary System, which has been much more successful than anyone anticipated at its inception in the late 1970's. The fact that it has survived at all may be counted as something of a triumph. The fact that it has delivered a degree of exchange rate stability, in contrast for example to Sterling which has remained outside the system, has convinced many that full monetary union is feasible. Inflation rates of countries within the mechanism have steadily converged. The second concern stems from the effects of the internal market and especially the agreement to free all capital movements, which was implemented on July 1 1990, though with extended grace periods for some' countries. It was clear that without a much tighter system of monetary control, the ERM could be blown apart by free capital flows. Persistent trade imbalances within the Community (West Germany had a trade surplus of \$46 bn with its partners in 1988), add to the pressure. Finally, there is a political aspect to monetary union, valued by supporters of closer integration, which would be symbolised by the move to a single currency. This political aspect of EMU has taken on even more prominence following the changes in Central and Eastern Europe and the reunification of Germany.

30. The Delors report proposed a European System of Central banks, a kind of Eurofed, irrevocably locked exchange rates and a single currency as the result of a three stage process on economic and monetary union. Though the details of the procedure for Economic and Monetary Union have not been agreed and differences of opinion remain between Member States, an intergovernmental conference is now scheduled for the end of 1990 to amend the Treaty of Rome. Though there is broad agreement on the monetary aspects there is still disagreement about how much economic sovereignty will be given up; for example, it now looks as if binding limits on budget deficits will not be agreed. There is also a battle raging concerning the political independence of the Eurofed; will it simply be a Community version of the German Bundesbank, with a requirement to maintain price stability or will monetary policy be integrated into Community economic policy making? Though there is a growing consensus towards monetary orthodoxy, on the German model, the granting of autonomy to a future European Central Bank does not mean that it should be democratically unaccountable.

31. One of the leaders of the low-inflation lobby, President of the German Bundesbank Karl-Otto Pöhl has said that the Eurofed should be legally committed to price stability and free from political influence. A logical requirement of this view is that national central banks should also enjoy autonomy. At present, none has the degree of formal and practical authority of the Bundesbank. However, the role of the EMS has meant that government control over monetary

policy is increasingly difficult. It is widely recognised that German monetary policy underpins all European monetary policy, whether for currencies strongly bound to the Deutschmark via the EMS or supposedly free, such as Sterling. For these countries, monetary union is an opportunity to regain some control over their monetary policy which has been lost to the Bundesbank during the 1980's. The real divergence of view is between those who believe that price stability is a necessary precondition to economic growth and employment creation, and those who think it is not. The statutes of the Bundesbank define its functions as to ensure "stable prices, high employment, balanced foreign trade, and constant and reasonable economic growth." A likely compromise between the two positions is the Dutch system, which gives autonomy to the central bank, yet allows the government to override decisions, so long as both sides publish their reasons and the issue is therefore publicly debated. Such a role could be envisaged for the European Parliament, which would then act as the guardian of democratic accountability in the field of economic and monetary policy.

POLITICAL UNION

32. It is perhaps ironic that the free trade impetus which supports the internal market process should rely also on a strengthening of the European Community's supranational role. This irony is certainly not lost on Mrs Thatcher. As the military threat that divided Europe recedes, economic self-interest is once again taking on a decisive role. The liberalising trend, as envisaged by the Internal Market, has to be accompanied by a: strengthening of democratic checks and balances at European level. We are seeing a decisive shift in powers of supranational institutions. If this shift in power is to be accountable then democratic institutions also have to be strengthened. Supranationality is embodied by more majority voting on the Council of Ministers, and more importantly if less visibly, in the spread of mutual recognition of each others' laws. Perhaps surprisingly, the changes in Central and Eastern Europe have not slowed down these developments. In fact the reverse has happened and all Community states, except for the UK, have pressed for quicker integration as a way of binding a united Germany securely into the Community and as a way of providing a united response to the subtle instability that surrounds the end of the Cold War. This process is subsumed under the somewhat misleading title of political union and the creation of a so-called new European architecture.

33. The Dublin Summit in June 1990 concluded that an intergovernmental conference in Rome at the end of 1990 would aim at transforming the Community from an entity mainly based on economic integration and political co-operation into a union of a political nature including a common foreign and security policy.

34. What is meant by political union is not however, the transfer of all national political decisions to the European level, which violates the important principle of subsidiarity. There will probably be an increase in the decisions taken by majority vote in the Council of Ministers; the European Parliament will probably have its powers extended; the European Commission and the Court of Justice may receive greater scope for enforcing the application of EC directives; EC foreign ministers will probably have to work more closely together. Such deepening of the Community is a precondition also for any subsequent widening. If a Community of 20 countries could not take most decisions by majority vote it would quickly grind to a halt. No new applications for Community membership are being considered before the completion of the internal market; Austria has recently applied adding to the growing list of countries in waiting. While the list of "acquis," the stock of EC legislation and commitments which must be taken on by any new member, are constantly growing, many non-EC countries are shadowing the Community in an ever closer fashion. The Austrian schilling for example, is already the currency most tightly pegged to the Deutschmark, even though Austria has been refused entry

to the European Monetary System. Trade unions have a clear duty to lend their voice to the struggle for a Europe that has sufficient democratic controls.

35. The end of the Cold War has also made it less likely that the European Community will develop a strong defence character, notwithstanding the experience of the gulf crisis where closer co-operation on foreign policy proved vital. NATO is rapidly taking on a more political character in response to the change in the European security climate. The 35-member Conference on Security and Co-operation in Europe is now the prime arena for European security discussions, which leaves both the Western European Union and the European Community itself with less incentive to develop a defence identity. In all these discussions, it is vital that unions reinforce the case for human and trade union rights and for a social dimension to European integration.

EUROPEAN ECONOMIC SPACE (EES)

36. If the Single European Market had not already convinced the non-Community European countries of the need for closer ties, then the revolution in Eastern Europe has given much new food for thought. Talks between EFTA (comprising Sweden, Switzerland, Norway, Iceland, Finland and Austria) and the EC on the creation of a European Economic Space of 350 million people began formally on June 20. If this process is successful it could lead to the disappearance of EFTA as it is currently established. If the talks succeed then EFTA will take on a supranational role, allowing it to interact with the EC in a concerted fashion, to implement EES rules and enforce EES legal judgements. If the talks with the EC fail, EFTA could collapse with some of its members actively seeking to join the EC. Though perhaps more attention has recently been directed towards relations with newly emerging Central and Eastern European states, economic and trade relations are much more important between the EC and EFTA, which is the Community's largest trading partner. EC exports to EFTA in 1989 were \$116 bn a year, almost as much as its sales to the US and Japan combined.

37. EFTA countries have realised that they have to shadow the EC single market, very often changing laws and regulations so that they run in parallel. This is not just a preparation for eventual membership, but is also a competitive necessity. This has been particularly evident in the finance sector where full freedom of financial services and the ending of exchange controls is central to the whole single market plan. The Nordic members of EFTA in particular have been forced to align their financial systems so that they mirror the shape of the EC. This has produced far-reaching changes and has helped to ignite a blaze of takeover activity in the Nordic finance sector.

38. The EC and EFTA have long enjoyed a duty free exchange of goods, but with the development of the Single European Market EFTA countries have become increasingly worried that they would be excluded from the emerging single market, whilst worrying that they would also lose their independence and sovereignty, which in some instances includes the delicate political subject of neutrality. Fears that the Community may lose some of its commitment to free trade, especially if the world economy slides towards recession, have prompted the EFTA countries to try and secure unencumbered access to the European market. There is also statistical evidence that the single market is acting as a magnet for investment and that firms are tending to by-pass the EFTA countries and establish direct links within the Community. For these reasons, negotiations towards a European Economic Space have taken on great importance. The objective of this process is to create freedom of movement of goods, capital, labour and services between the EC and EFTA. With the EC accounting for 56% of EFTA exports and 60% of imports last year, trade is a powerful driving force in these negotiations.

39. However, there are also major difficulties. The extension of the Common Agricultural Policy is one which would create problems for many EFTA countries. Of more direct concern currently is the issue of how to establish joint decision-making machinery for the EES. The Community has a well-established system of decision-making which involves majority voting and a strict enforcement mechanism, terminating with the European Court. If for example, competition policy was to be exercised on an equivalent basis in both the EC and EFTA, then an appropriate enforcement mechanism needs to be established. Whether the creation of an institutionally unified European Economic Space succeeds or not, it is clear that major corporations, whether of Community or EFTA origin, and even from outside Europe entirely, are going to treat the whole of Europe as a single commercial unity and plan for the European market on that basis. This will inevitably mean more mergers, takeovers and economic concentration. Larger firms will dominate the market and will integrate their activities across Europe whilst tailoring their products or services to cultural differences and local market preferences. The typical European multinational company will resemble more and more a European company, treating Europe as its home domestic market. For workers this means that an important slice of decision-making will disappear over the national horizon to the European headquarters. Even more than today, workers will be cut off from the locus of power in major companies.

SOCIAL EUROPE

40. Though driven primarily by an economic logic, it has always been broadly accepted by the European Community that if economic integration is allowed to outstrip social developments then the Community will develop in an unbalanced fashion, with grave consequences for many working people. The single market process has increased this danger in two ways. The liberalisation process risks that many important national standards which cover working life could be undermined. The advocates for free competition between enterprises support it as both a pressure for efficiency and a restriction on economic power. We cannot accept that the same principle be applied to social standards. So-called social dumping is an unacceptable risk stemming from the single market. The second problem is that the single market plus economic, monetary and political union creates a new Community level of structures and organisation to which there must be a social dimension. For example, if new structures for company organisation are created at European level, then facilities must be extended for the operation of social rights at the same level.

41. The necessary measures to create a social Europe were laid out in the Community Charter of Fundamental Social Rights which was adopted by 11 of the 12 member states at the Strasbourg summit in late 1989. Though just a political declaration, the Charter has been backed up by a more detailed Action Programme which specifies where new laws and regulations are needed to implement these rights and where national arrangements, whether collective agreements or legislation can be relied on. The Charter lists rights to freedom of movement; employment and remuneration; improvement of living and working conditions; rights to social protection; rights to freedom of association and collective bargaining; right to vocational training, right of men and women to equal treatment; right of workers to information, consultation and participation; right to health protection and safety at the workplace; protection of children, adolescents, elderly and disabled people.

42. The European Commission has begun the implementation process of the action plan by publishing draft directives on working hours and precarious working. EURO-FIET will be working closely with the ETUC to secure the implementation of the action programme. A variety of articles under the Treaty of Rome as amended by the Single European Act are to be invoked to use qualified majority voting where possible. The response from the trade union

movement, whilst welcoming the fact that at last some progress is being made on the social dimension, is that the directives and the social programme itself are far from adequate. For example, in the working hours directive, there is no provision covering night work even though 11 of the 12 member states adopted a comprehensive convention on night work at the 1990 ILO Conference.

43. The European Commission has also encouraged what is termed a social dialogue between the social partners at the European level, both on general issues and on sectoral concerns. Though employers' associations have normally been hostile, some breakthroughs have been made, for example between EURO-FIET and the CECD (commerce employers), and now the same process seems to be beginning in the insurance sector. The social dialogue needs to deliver much more if the workers of Europe are to benefit from the integration process.

44. Finally, a key aim of the single market has been to promote business concentrations, especially across borders in order to reap economies of scale and create enterprises capable of competing in world markets. A proposal has been made to create a legal framework for the incorporation of European companies. This would facilitate mergers and would give certain tax advantages, but also requires that worker participation structures be established on one of three models. Though not yet finalised, the proposal is very important to trade unions as it will probably lay the foundations for subsequent directives requiring information, consultation and participation structures to be implemented by all European companies operating in more than one member state.

CENTRAL AND EASTERN EUROPE

45. Though the democratic revolutions which swept Central and Eastern Europe a year ago caught most people by surprise, and went further and faster than many imagined possible, only now is the scale of the economic and social rebuilding task becoming apparent. It seems that overthrowing the old communist regimes is just one step on a long journey; bringing market relations into economies ossified by over a generation of central planning is proving a difficult task. The threat of large-scale unemployment and poverty in Central and Eastern Europe seems to be getting insufficient attention from most governments. For a start nobody knows with any certainty how to approach the problem as this particular historical transition has never been attempted before. There is no shortage of advice coming from Western economists, but they will not be the ones who see their standard of living falling in front of their eyes. All seem to be agreed that the change will be painful and that real incomes will drop as hard prices are introduced. But there is no consensus about whether the shift should be at breakneck speed to minimise the duration of pain, the approach adopted by Poland, or whether things should evolve more slowly to give businesses and people the chance to adjust more gradually, as in Hungary. Experience from East Germany shows that the ability of the old businesses to adjust to fierce competition is very limited. Many of the newly independent trade unions in Central and Eastern Europe are arguing for a pace of economic change which will allow uncompetitive industries a chance to catch up and to construct a social safety net. The economic changes undertaken will be a further spur to economic integration in Europe. The new policies will further open up international economic ties through increased possibilities for trade and investment. Multinationals should not undermine the reforms made; they must play their part in promoting human rights and international labour standards, through respect for ILO standards and declarations.

46. On top of these deep economic problems, the construction of a polity which matches the expectations of the people is a further challenge. It is wrong however, to lump together all east European countries; they have very different histories, cultures and experiences which makes

each one in its own way unique, though all experienced a similar shroud of repression from authoritarian regimes. None the less all are looking towards Europe for their future and they want to play a full role in the creation of a new European political, economic and security order.

47. It is vital that governments and the international community should pledge themselves to major programmes of assistance. These states are attempting to meet the criteria laid down by the IMF and World Bank, and the new Bank for European Reconstruction and Development recently established in London. The new process of "marketisation" as it has been dubbed, includes the removal of subsidies so that prices can begin to convey valid market information, the wholesale privatisation of old state concerns, the creation of capital markets and banking systems, and the movement towards the establishment of hard, convertible currencies. This last objective is even more pressing since the decision by the Soviet Union at the January 1990 Comecon meeting to move towards hard currency exports of oil and other raw materials. The economies of eastern Europe have been distorted not only by the internal confusion of central planning, where subsidies for example can make it more economic to feed bread to farm animals than wheat, but also by the enforced international division of labour which led both to the wrong kind of national specialisation and the attempt to produce too wide a range of goods.

48. Poland has chosen the most radical strategy to jolt its economy into the market system. The shock treatment of finance minister Balcerowicz has brought inflation down and reduced queues but is also forcing many enterprises into bankruptcy, causing unemployment to soar. Living standards are falling and it is doubtful how quickly Poland can attract foreign investment and develop a viable export sector. Hungary is adopting a more cautious economic stance, targeting unviable enterprises for bankruptcy and restricting privatisation mainly to the services sector. It needs growth of 3-4% a year if it is to meet debt repayments at the highest per capita level in Europe. Czechoslovakia has the most sophisticated industrial infrastructure with some firms which are competitive on world markets and which look like being prime targets for joint ventures or mergers with Western companies. However, there is division in the government between those who want to force economic change through and those who are concerned about preserving national unity.

49. While democratic change and the commitment to the move to a market economy looks irreversible in Poland, Hungary, East Germany and Czechoslovakia, in the other states of Central and Eastern Europe, the long term picture is still unclear. Yugoslavia is wracked by ethnic rivalries which could easily sink into civil war. Economic shock treatment has brought inflation down from 28,000% a year to 4% a month but structural reforms are proving difficult. The worker self management systems in industry make wholesale privatisation difficult and the banking system is still printing money to lend to bankrupt firms. Romania is desperately underdeveloped while the economy of Bulgaria will probably continue to be dominated by the Soviet Union for some time to come. In the Soviet Union itself, political reform is continuing in a piecemeal fashion but reviving the economy is proving very difficult. It seems now that the Soviet Union, which had for a long time rejected the need for aid from the West is now actively facing up to the austerity policies which will be required by international lenders.

50. The democratic revolution in Central and Eastern Europe has major implications for the defence and security arrangements of the continent. Through the Conference on Security and Co-operation in Europe (CSCE) structures, it should be possible to reduce progressively the huge arsenals of weaponry which have been built up by NATO and the Warsaw Pact during the standoff in the central theatre of the Cold War. Trade unions have strongly supported the open and flexible CSCE process as the preferred mechanism for confidence building and conventional forces reductions in Europe. The expected "peace dividend" from reduced arms spending would be welcomed everywhere, not least in the struggling economies in the east. However, serious attention will have to be given to the conversion of the armaments industry to peaceful and productive employment. This will be a particular problem in eastern Europe due to the already massive strain on economies adjusting to market relations. It has been a long-

standing trade union view that security cannot be improved by increases in military capacity. Peace security and disarmament must be built up through negotiation and agreement with special attention being paid to mechanisms for verification and the peaceful settlement of disputes. In this context human and trade union rights are vital to the process of international co-operation and confidence building because they create the basis of civil societies where the interests of all groups can be articulated and protected.

51. The dramatic changes which have swept Central and Eastern Europe have also transformed the trade union movement in these countries. While Solidarnosc had led the way for over a decade in the struggle to establish independent and democratic trade union organisation, and was instrumental in touching off the downfall of regimes across eastern Europe, trade union organisations in other countries have also been radically reformed. In Czechoslovakia the transformation has been complete, with new leaderships simply taking over the old structures, complete with assets during the revolution. The central federation has been reformed and is now affiliated to the ICFTU, as is Solidarnosc. In Hungary the break with the past has a different look, with a mixture of independent unions and a continuing reform process going on in the old, former state-controlled unions. In Romania and Bulgaria, new independent trade unions movements of Fratia and Podkrepa respectively have sprung up with political reform high on their agendas, as the democratisation of these countries appears less thorough. In Yugoslavia and the Soviet Union, the trade union reform movement is much less developed and it is still very unclear how things will turn out. A more detailed review of trade union developments in Central and Eastern Europe has been prepared by the Secretariat and is being distributed as a separate report.

PART TWO: EURO-FIET AND THE INTERNAL MARKET

52. This section looks at the various EURO-FIET trade sections and the initiatives taken by the European Commission, in implementing the Internal Market programme, which will have a direct impact on them. Reference may also be made to the EURO-FIET Report on Activities.

BANKING

53. The Commission has kept its commitment, as laid down in the 1985 white book. Liberalisation of the banking sector has had a very high priority in Commission's activities during the last years.

54. As the economies of Central and Eastern Europe are fast discovering, financial services along with the information technologies form the basic infrastructure of modern market economies. The creation of freedom of financial services has therefore been a key element in the plan to establish a true internal market for the European Community, as it will provide an essential lubrication for the single market in many other areas.

55. Freedom of financial services is being approached not through any attempt to harmonise different regulatory systems, but through the mutual recognition of these differences. Regulatory control will rest with the home country in which the head office of the financial institution is registered. The sole unifying feature is the set of financial services which are to be included in each sector and the expected increase in competition. In banking, where the approval of the 2nd Bank Directive gives a clear picture of what services are to be included in the single banking licence, the universal model of bank activity has been adopted. This permits the widest range of financial services to be offered by banks, and means that in those countries where the activities of banks have been most limited, new competition will be most fierce.

56. Most of the legislation required for the single market in banking is now in place. The prospect of the single market has meant a massive increase in competition, for the moment not primarily in the field of service provision but in the area of market control, through joint ventures, business tie-ups and outright mergers in some national markets. Due to the difficulty and expense of building up local branch networks in foreign markets, it is likely that major banks will seek market access through purchasing smaller banks or through joint venture arrangements.

57. Though the framework for freedom of services in banking has been agreed and freedom of capital movements became reality in most Community countries from July 1, 1990, some aspects of the financial market have yet to be agreed. The main area is the overall shape that Economic and Monetary Union will take and how the establishment of a European System of Central Banks will affect regulation of the sector. It is clear that full freedom of financial services, including investment services, will now follow the model of mutual recognition and home country control established by the 2nd Bank Directive.

58. Social dialogue within the banking sector is restricted to initiatives by the European Commission which have concentrated on issues of training, skills and qualifications. Bank

employers have been notably loath to address the major challenges facing the industry through the creation of new channels of dialogue.

INSTRUMENTS ADOPTED

Right of Establishment, Freedom of Services for Self- Employed Persons (73/183/EEC)

59. This Directive provides the basic rights of establishment and provision of services for self-employed persons in the banking and financial sector; it also liberalises banking services linked with certain capital movements.

Taking Up and Pursuit of Banking Activities (77/780/EEC)

60. This was the first Directive on the taking up and pursuit of banking activities; it represents the first step towards the harmonisation of laws, regulations and administrative provisions applicable to banks and other credit institutions. It lays down minimum requirements to be fulfilled by credit institutions before they can be authorised to operate, and helps to prepare for overall supervision of a credit institution by the authorities in the Member State where the head office is situated. Member States are still able to require branches of credit institutions with their head offices in another Member State to receive prior authorisation before they can offer services, but authorisation may not be refused solely on the grounds that its head office is established in another member state.

List of Credit Institutions (86/524/EEC)

61. This Directive was passed to amend Directive 77/780/EEC to update the list therein of credit institutions exempt from EEC coordinating legislation concerned with their operation. The institutions in question are excluded because they are supervised in a different manner from banks generally.

Second Bank Coordinating Directive (89/646/EEC)

62. The second Banking Coordination Directive is scheduled to come into force on January 1, 1993. From that date a credit institution will be free to establish branches and provide cross-frontier services on the basis of a single banking licence granted by the supervisory authorities in its home Member State. Licenses for banks based outside the Community will be allowed the same freedoms upon authorisation from any one of the EEC Member States. In addition to the standard banking services included in the First Banking Directive, banks will be free to engage in a number of other services such as money broking.

Deposit Guarantee Schemes (87/62/EEC)

63. A recommendation requiring Member States to establish deposit guarantee schemes to protect depositors when credit institutions are wound up was adopted by the Commission in December 1986 to complement the winding-up proposal mentioned below.

Own Funds (89/229/EEC)

64. This Directive establishes very precise definitions of a bank's "own funds". The size of own funds is used by regulatory bodies in calculating acceptable levels of lending. Standardization of these calculations throughout the Community is essential for mutual recognition of home country control. Own funds are the funds which are the property of a credit institution as opposed to client funds which are on deposit with the bank but the property of the clients.

Large Exposures (87/62/EEC)

65. The Commission adopted a Recommendation in 1986 laying down monitoring and control guidelines *concerning* "large exposures". It is probable that the Recommendation will be upgraded to a Directive at a later stage.

Annual Accounts (86/635/EEC)

66. This Directive applies to most credit institutions with regard to the harmonization of the format and contents of their published annual accounts and consolidated accounts. As more credit institutions operate across national borders within the Community, it is becoming increasingly important that their accounts are comparable.

Publication - Branch Accounts Directive (89/117/EEC)

67. Bank branches will be subject to the stricter rules laid down in the branches of banks Directive which requires foreign bank branches to publish the annual accounts and annual report of their head offices. The aim of the Directive is to have foreign bank branches treated in the same way as branches of domestic financial institutions. Furthermore, the Directive establishes a list of additional information that can be required by the authorities in the country where the branch operates over and above what is required under the 11th Company Law Directive.

Branches' Accounts (89/666/EEC)

68. This Directive limits the information that can be required of a branch of a foreign company to a strict minimum (such as branch personnel, address and activities) and stipulates that branches of foreign companies cannot be required to publish their own accounts, except in the case of branches of non-EEC companies, whose head office accounts are not of equivalent standard to those required in the Community.

Interest Rates - Consumer Protection (87/102/EEC)

69. The purpose of this Directive is to safeguard the consumers of the Internal Market at a high level of protection. The Directive anticipated that a Community method of calculating the annual percentage rate of charge for credit would be used throughout the Community.

Freedom of Capital Movement (88/361/EEC)

70. The purpose of the Council Directive of 24 June 1988 (OJ L 178, 08.07.88) for the implementation of article 67 of the Treaty which concerns the complete liberalisation of capital movements. This new Directive must be implemented by July 1990 by all Member States with the exception of Spain, Greece, Ireland and Portugal, Belgium and Luxembourg who have to implement it by the end of 1992.

71. This Directive specifically refers to the liberalisation of monetary or quasi-monetary transactions (financial loans and credits, current and deposit account operations, transactions in securities and other instruments normally dealt with on the money market). It also contains provisions on movements of [capital to](#) or from non-Community countries.

Solvency Ratio (89/647/EEC)

72. The ratio proposed in the Directive applies to credit institutions defined in the First Banking Directive. This Directive constitutes the counterpart to the second banking Directive adopted on 15 December 1989 and the Directive on the own funds of credit institutions adopted on 17 April 1989.

73. This Directive will ensure that businesses not immediately entered in the balance sheet are accounted for in calculating capital adequacy of credit institutions throughout the Community. Its objective is to harmonize supervision of solvency standards among such institutions thus protecting both depositors and investors, as well as maintaining banking stability. The ratio decided upon was 8%.

Transparency of Banking Conditions Relating to Cross-Border Financial Transactions - (OJ L 67/39,15.3.90)

74. EEC Recommendation, adopted by European Commission on 14 February 1990, for more information on details and costs involved in cross-border money transfers.

75. This recommendation anticipates that clients have the right to be informed of details and costs in such transfers. It obliges banks to provide information regarding fees and Commission charges in the statement covering any individual transfer as well as signalling that costs can be charged either to the transferor or transferee. If the recommendation becomes a directive, it obliges credit institutions to respect the rules of practice contained within the Recommendation.

INSTRUMENTS PENDING

Winding-Up of Credit Institutions (OJ C 36/1,8.2.88)

76. This amended proposal concerns the coordination between supervisory authorities on the re-organisation, and if necessary, winding-up of credit institutions.

Mortgage Credit (OJ C 161,19.6.87)

77. This proposed Directive concerns the removal of obstacles to the provision of mortgage credit across frontiers and to improve the cooperation between the supervisory bodies in the Member States. The amended proposal is presently before the Council and part of the it has been incorporated into the 2nd Banking Directive. EURO-FIET has an "opinion" on this subject.

Consumer Credit (OJ C 155,14.06.88)

78. Proposal for a Council Directive amending Directive 87/102 /EEC for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit; proposal stipulated precise terms for the calculation of the rate of charge.

Guarantees Issued by Credit Institutions (OJ C 5116, 28.2.89)

79. Proposal for a Council Regulation (EEC) on guarantees issued by credit institutions or insurance undertakings. The Proposal imposes upon public authorities the obligation to accept guarantees emanating from credit institutions and insurance undertakings licensed under Community law and thus intends to mark more clearly the Internal Market dimension of the free provision of services.

Prevention of the Financial System for the Purpose of Money Laundering (COM(90) 106 final)

80. Proposed Directive to prevent Money Laundering from organised crime. If money laundering were made a criminal offence throughout the Community, legislation would enhance security and stability of a single EEC market in financial services. Banks and other institutions would be obliged to keep identification files on customers and report, at their discretion, "any transactions which they suspect to be associated with drugs, terrorism and other criminal offences". Banks would be left to decide which deals are suspect and thus training of personnel is needed in this respect. Sanctions for offenders are to be left to national law.

INSURANCE

81. In insurance, it is clear that full freedom of services will now be established in the same manner as banking through mutual recognition of regulatory regimes, with home country control based on a single insurance passport and minimal harmonisation of prudential rules. The single insurance passport will be more complicated to devise than the banking license, and will need to be split into life and non-life aspects. Framework directives for these two areas of insurance are expected to be introduced by the end of 1990. Freedom of services in insurance for mass risks, especially in the field of life insurance and group pensions, is expected to bring more real cross border activity than in other areas of insurance.

82. There have been more international alliances built in insurance than in banking in recent times. These tie-ups have predominantly taken the form of joint ventures or share swaps rather

than outright mergers, although these too have been increasingly in evidence. The need for new distribution channels and the encouragement from regulators is causing growing links between banking and insurance to be forged.

INSTRUMENTS ADOPTED

Non-Life

83. Council Directive of 25 February 1964 on the abolition of restrictions on freedom of establishment and freedom to provide services in respect of reinsurance and retrocession (OJ L 56 04.04.64);

84. First Council Directive of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life insurance 73/239/EEC (OJ L 228, 16.08.73), (this Directive was amended on 10 December 1984 with regard to tourist assistance (OJ L 339, 27.12.84), and on 22 June 1987 with regard to credit and suretyship assurance. (OJ L 185, 04.07.87).

Second Non-Life Insurance Directive (88/357/EEC)

85. On 22 June 1988 the Council adopted the second Directive on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life insurance specifically to facilitate the exercise of freedom to provide services . It combines very liberal arrangements for the cover of large industrial and commercial risks with protection for small policy-holders; it is to be implemented gradually as of 30 June 1990. (OJ L 172, 04.07.88)

First Life Insurance Directive (9/267/EEC)

86. On 5 March 1979 the first Council Directive on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct life assurance was adopted. (OJ L 63/1,13.7.79).

Car Insurance (72/166/EEC)

87. On 24 April 1972 the Council adopted a Directive on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles, and to the enforcement of the obligation to insure against such a liability. (OJ L 103, 02.05.72)

Second Directive for Car Insurance (84/5/EEC)

88. On 30 December 1983 the Council adopted the second Directive on the approximation of the laws on the Member States to amend the first Directive on car insurance. Its aim was to reduce considerably the disparities between the level and content of compulsory civil liability insurance in the Member States. The elimination of such disparities, by ensuring that motor vehicle accident victims receive comparable treatment irrespective of where the accident occurs, will further facilitate the establishment and the operation of the internal market. (OJ L 8, 11.01.84).

Insurance Agents (77/92/EEC)

89. On 12 December 1976 the Council adopted a Directive to facilitate the exercise of freedom of establishment and freedom to provide services in respect of the activities of insurance agents and brokers, and, in particular, transitional measures in respect of those activities (OJ L 26, 31.01.77).

Community Coinsurance (78/473/EEC)

90. On 30 May 1978 the Council adopted a Directive on the coordination of laws, regulations and administrative provisions relating to Community coinsurance (OJ 151, 07.06.78).

Legal Expenses Assurance (87/344/EEC)

91. On 22 June 1987 the council adopted a Directive on the coordination of laws, regulations and administrative provisions relating to legal expenses assurance (OJ L 185, 04.07.87). For example, Germany only permits specialist legal insurers to provide cover for legal costs. This Directive will require Germany to abolish this requirement.

INSTRUMENTS PENDING ADOPTION

Amended Proposal for Second Life Insurance Directive (OJ C 72/5,22.3.90)

92. On 9 March 1990 the amended proposal for the second Council Directive on the coordination of laws, regulations and administrative provisions relating to direct life assurance was submitted by the Commission.

93. This proposal introduces special provisions on the freedom to provide services in respect of contracts concluded by private individuals. It includes the provision that home control will apply when the party seeking assurance takes the initiative in approaching an insurer in another Member State.

94. The Commission is now awaiting the opinion from the European Parliament before the Council can formalise its "common position". It is not expected that the Parliament will forward its opinion before the end of May 1990.

Motor Insurance

95. The proposal to for the third Directive in the motor insurance field aims to clarify the extent of cover insurers must give in compulsory third party policies and extend the degree to which persons have access to "guarantee funds". For so-called "large risks" (companies and other large organisations) a firm would be permitted to sell policies without being required to get authorisation in that country. As far as "mass risks" are concerned (private individuals), the Member States would have the choice of obliging a foreign insurer to comply with its rules before providing coverage of risks on its territory. The proposal should be adopted by June 1990. (OJ C 16, 20.01.89).

Car Insurance - Freedom to Provide Service (OJ C 65/6,15.3.89)

96. This draft proposal aims at giving the possibility to buy car insurances in another country than the country where the policy holder is residing. This proposal is at present limited to mass risks coverage.

Annual Accounts and Consolidated Accounts

97. The proposal for a Council Directive on the annual accounts and consolidated accounts of insurance undertakings (OJ C 131, 18.05.87) aims to adapt for insurance company accounts the 4th Directive of 25 July 1978 on the annual accounts of companies and the 7th Directive of 13 June 1983 on consolidated accounts. This will make the accounts of insurance companies in the different Member States comparable.

Swiss Agreement

98. Proposal for a Council decision on the conclusion of the agreement between the Swiss Confederation and the EEC concerning direct insurance other than life assurance (OJ 154, 13.06.83). If this proposal is adopted in the form of a decision, then it will allow Swiss and EEC non-life insurance companies access to one another's markets. From the EEC side the form of the agreement is satisfactory since it allows just such cooperation without giving the non-EEC partner the right to participate in the shaping of EEC legislation.

Insurance Contracts

99. The proposal for a Council Directive on the coordination of laws, regulations and administrative provisions relating to insurance contracts (OJ C 190, 28.07.79) aims to promote the cross-frontier provision of non-life insurance by coordinating laws on policies, cover, premiums and the obligations of policy holders and insurers.

Winding-Up Procedure (COM(86) 768 final/2)

100. There is also a proposal for a Council Directive on the coordination of laws, regulations and administrative provisions relating to the compulsory winding-up of direct insurance undertakings (OJ C 71, 19.03.87). It has been approved by the Economic and Social Committee and European Parliament and the Commission presented an amended proposal to the Council of Ministers in October 1989 (OJ C 253 6.10.89). At the time of writing, no Common Position has been drawn up by the Council.

INSTRUMENTS IN PREPARATION

101. The Commission is preparing a number of important instruments in the field of insurance. They will aim at establishing a single licence for life and non life company; another instrument is being prepared concerning the freedom to use pension funds in another Member State.

COMMERCE

102. Commerce is a major pillar of the European economy, responsible for 14 % of GDP and providing employment to some 20 million people. It is a dynamic sector which does not merely respond to change but is one of the principal actors initiating change, a vital link in the chain of distribution between the producer and consumer. Commerce has been changing profoundly during the last few decades. Structural and technological change have been remarkable. Retail and wholesale trade has become big business. The small corner shops have given way to super and hypermarkets. Not only have stores changed but also the whole system of distribution. The internal market process will act as a further spur to change and will stimulate more cross border trade and the internationalisation of the sector even if retailers, at the end of the day, have to satisfy local consumer needs.

103. Having traditionally been considered a home market industry, commerce is now one of those most eager to go international. The growth of wholesalers and retailers, new technologies and a changing company culture have provided the capacity and incentive to invest and operate abroad. Saturation in home markets should also not be discounted. In the wholesale and retail trade foreign direct investments are growing fast. In the first half of 1989 food and food retailing accounted for 23 % of the value of cross border activity. There has been a dramatic expansion of European retailers into the US market but also in other European countries. There is also an expansion in joint buying activities. One form of reaching economies of scale, in retail and wholesale trade, while retaining the flexibility of separate companies is by forming joint buying groups. The idea as such is not new. The European consumer cooperatives, for example, have also earlier co-ordinated both buying functions and technology acquisitions. The present upsurge in joint buying activities is largely inspired by the EC mutual recognition directive, which allows a product approved in one EC country to be sold in any other. With the planned creation of an European Economic Space, this principle could be extended to cover the EFTA countries as well.

104. The largest of these undertakings is the European Retail Alliance (ERA), which groups together large private retail companies in a number of European countries: Dansk Supermarked, Denmark, Kesko, Finland, Casino, France, La Rinascente, Italy, Ahold, the Netherlands, Mercadona, Spain, ICA, Sweden, Migros Switzerland and Argyl, United Kingdom.

105. Altogether, these chains have 11,000 stores, global sales of 44 billion U.S. dollars in 1988-89 and a market share of 11 percent of grocery sales in their home countries.

106. The Alliance is also considering how to develop common products and to share distribution networks, advertising and technology. The retail and wholesale sector can anticipate more competition, more internationalisation, more cross border mergers, more predatory corporate takeover behaviour, keen price competition, continuing heavy investment in technology and the potential for more standardisation of products.

107. Commerce is affected by all the directives of a general nature governing company law, free circulation of products and tax harmonisation etc. The few Community instruments which relate directly to Commerce are detailed below.

108. It should be noted, however, that in October 1989 the Council issued a Communication (9035/ Press 174) in which it asked the Commission to undertake the following:

- Statistics: better provision; compatibility with EC definitions; better method of supplying them to EEC Statistical office; compilation of a sectoral programme for commerce.

- cooperation and exchange of information with a view to improving transparency of sector: setting up of a data bank for compilation of national and EC measures which affect legislation directly or indirectly concerned with trade of goods and services; better consultation between consultation with Committee on Commerce and Distribution.
- Sectoral Development: use of existing advisory bodies to consider areas such as franchising as well as question of information prior to the conclusion of membership contracts; consultation with existing consultative bodies and of principles laid down in European Code of Conduct with regard to electronic payment; highlight how commerce affects other components of Community Policy such as competition, protection of environment and consumer protection.

109. The aim of the Council was to invite the Commission to draw up proposals it deemed appropriate for its 1990 programme of activities.

FREE CIRCULATION OF PRODUCTS

110. One of the four aims of the Single European Market is the free circulation of products. This was given weight by the Council Resolution (New approach for technical harmonisation and standardisation - Oj C 136, 4.06.85) which implemented the principle of mutual recognition of standards. In theory, if this principle is applied in national legislation, it would remove many of the obstacles to trade. However, in practice clauses in national legislation still hinder the freedom of movement of imports, especially at the border. The only recourse left for exporters is to file a case at the European Court of Justice.

HARMONISATION OF VAT

111. The rates and regulations for the harmonisation of VAT are still under discussion. Last November the Member States agreed to maintain the system of deducting VAT on goods exported between Member States and to collect the tax in the country where the goods are consumed, at least during a transition period.

112. The proposal for the post 1992 VAT Collection Mechanism was adopted by the Commission on 8 May 1990 under which the present system for VAT Collection will be retained (allowing goods to circulate free of tax throughout the Community); administrative formalities will be streamlined and border controls abolished and VAT collected in the country of consumption

FRANCHISING

113. A franchise is the right to use the name/product/concept of an already established producer. The latter becomes the franchisor if he/she grants a franchise to a client in return for a percentage of turnover. The client, the franchisee, retains his/her independence.

114. Franchising is particularly practiced in the garment, fast food, car renting and hotel sectors. Unfortunately though, however good the working conditions of the franchisor may be they need not necessarily be translated into the working practices of the franchisee.

115. On 30 November 1988 the Commission adopted a regulation on the exemption of franchise agreements from certain competition rules of the European Communities. According to the Commission, competition is reinforced since franchising agreements include a network of uniform distribution outlets which do not require heavy investments and thus make market

penetration easier (Commission Regulation (EEC) No 4087/88 of 30 November 1988 on the application of Article 85(3) of the Treaty to categories of franchise agreements).

ELECTRONIC PAYMENTS

116. The service sector is witnessing a fusion of operational procedures. Electronic commerce and a developing international trade have increased the need for standardisation of payment card systems. This will allow for interoperability between the different networks and thus ensure equal access for all card holders to distribution networks.

117. On 8 December 1987, the Commission issued a Recommendation 87/598/EEC on a European Code of Conduct relating to electronic payments, particularly to the protection of the consumer.

118. A Recommendation on payment card security was introduced in November 1988 (88/590/EEC Commission Recommendation of 17 November 1988 concerning payment systems and in particular the relationship between card-holder and card issuer, OJ L 317/55-58). The aim of the Recommendation is that neither the consumer nor card-holder should be liable for losses incurred through theft or other breach of security concerning his or her payment card. As long as there was no fraudulent use or proven negligence, the onus should fall on the retailer, bank or other issuer of the card.

119. However, in practice, the rules ensuring sufficient consumer protection for users of payment cards issued by banks and retailers have not been adhered to closely enough by the Member States, especially where large retail chains are concerned. The Commission opted to change the legal instrument from a Recommendation to a legally binding Directive in March 1990. This in turn has to be negotiated and agreed upon by the Council of Ministers. The existing rules, which cannot be legally enforced, will apply until the beginning of 1991.

120. The banks' response to the Recommendation was to draw up a "code of best practice" which it submitted to the Commission in April 1990. The paper draws the line between the responsibilities of the consumer and the issuer of payment cards when losses or other security problems occur. Their view is that uniform application of this code would obviate the need, presently being debated in the Commission, for the introduction of stricter and more legally binding rules to protect the consumer in this sector.

121. However, the Commission feels that although the code is positive, it does not allow for the protection of the consumer to the extent originally hoped for.

COMMERCIAL AGENTS

86/653/EEC

122. The Directive on the coordination of the laws of the Member States relating to self-employed commercial agents and their principals was adopted by the Council on 18 December 1986. The Directive applies to the laws, regulations and administrative provisions governing the relations between commercial agents and their principals. An independent commercial agent is empowered by the principal to negotiate or conclude the sale or purchase of goods in the name of and on behalf of the principal (OJ L 382, 31.12.86).

CEDEFOP

123. CEDEFOP, the European Centre for the Development of Vocational Training, was established in 1975 (European Council Regulation 337/75) to even out the differences in training levels and standards between the Member States. CEDEFOP has thus strived for the universal recognition of vocational qualifications in each Member state so as to facilitate their comparison with equivalent qualifications in the other Member States. One of CEDEFOP's current objectives is the study of the equivalence of diplomas in the commerce sector. It is hoped that this work will be completed by 1992.

SOCIAL INSURANCE AND HEALTH CARE

124. Not being in an area of the economy much influenced by traded goods, the impact of the Single European Market has so far been slight in the social insurance and health care field. National social insurance and health care systems will be left intact but will be indirectly influenced by increased labour mobility, changes in public purchasing regimes, and in the longer term will probably be affected by the budgetary implications of economic and monetary union.

125. Under the Treaty establishing the European Economic Community, workers who are nationals of a Member State of the EEC and who go to another Member State to take up employment or self-employment enjoy the same security rights as nationals of that State.

126. The EEC Treaty also provides that measures should be adopted to take into account periods of insurance completed by workers in one Member State when they move to another Member State.

127. Moreover, the Treaty provides that social security benefits should be paid to beneficiaries without reduction even if they live in a Member State other than the State responsible for paying the benefits. To this end the Council of the European Communities adopted Regulation 1408/71 and Regulation 574/72.

128. However, within the Member States themselves, social protection is being undermined by several factors, namely on the part of governments wanting to contain the cost of social protection through slashing programmes and dismantling welfare state provisions. The trend to denationalising universal health care and social insurance has only served to accentuate the problem. Despite the advances made in social protection, poverty still exists within societies in Europe, especially in those which are excluded from the economic mainstream.

129. In its action programme for the implementation of the Community Charter for the basic Social Rights of the Worker, the Commission addresses this worrying situation in the form of two initiatives: the first is to counteract the dangers without affecting the different social security systems themselves, the second considers the basic common principles for the Community in this field to take an initiative to assist the least advantaged citizens of the Community. It thus proposes the following:

- a Recommendation on social protection with a convergence of objectives;
- a Recommendation on common criteria concerning resources and social assistance in the social protection systems.

130. It should also be noted that the Directive recently passed (Council 89/105/EEC of 21 December 1989) concerning the transparency of measures ruling the fixing of prices for medication for human use and their inclusion in the national health insurance systems obliges the Member States to justify an eventual refusal to incorporate the measures into national legislation. If no decision is taken by the Member States within the 90 days prescribed by the Council, the text authorises the sale of the product at the price demanded by the industry. The fear is that the pharmaceutical industry will base its prices on those applied in West Germany, the country where the cost of such products is the highest in the EEC. If this example becomes a reality, it is clear that the future of the single market for medicine will financially destabilise the costs of social security systems.

PROPERTY SERVICES

131. Property services as a sector is rapidly internationalising as multinational companies play an ever more dominant role [in an](#) industry which used to be characterised by small businesses. The Single European Market will offer opportunities to these companies and some aspects of the liberalisation process will encourage the use of international subcontract labour; the recent European Court decision in the case of Portuguese contract workers in France being paid under their home conditions is an important development.

132. The contract cleaning service is one of the lesser known sectors of the service industry. It represents a market of 12 billion ECU in the Community and a rapidly expanding rate of demand in most Member States. Nearly 2 million workers are employed in this sector. Cleaning has become the business of specialists using increasingly sophisticated technical and organisational skills with recourse to more efficient equipment and cleaning products.

133. Contract cleaning is on the increase and is expected to continue to grow rapidly. In the economically advanced Member States, only one third of the general cleaning work is at present being contracted out, thus leaving plenty of scope for expansion, especially in the public sector. As the quality of cleaning performance is not easy to assess, there is a tendency towards fierce price competition with adverse consequences on quality of cleaning and profit margins. This inevitably puts the guarantee of good working conditions into question.

134. There is a proposal in the Community work programme for 1990 for the establishment of a safety, hygiene and health agency. The Trade Union Technical Bureau should get information as to the products which cleaning companies use in an attempt to monitor and check the toxicity of their content.

HAIR AND BEAUTY CARE

135. In the hair and beauty care industry, franchising is of growing concern to employees and trade union representatives. In Europe the situation varies from country to country. Only a few European countries have been confronted with the problems of franchising companies but a strong trend towards expansion all over Europe is noted. The FIET Hair and Beauty Care

Trade Section will observe these developments and will closely co-operate with the European Commission on this question in coming years.

136. Preventing health risks in the hair and beauty care industry is also of major concern to the FIET trade section members. Significant improvements have been achieved but too many hairdressers still suffer from skin diseases and respiratory problems. The European Commission should conduct investigations in all areas where hair and beauty care employees might have reason to fear a hazard to health in order to eliminate such risks.

137. Contacts will be established by the FIET trade section with cosmetics manufacturers in EC countries, with the intention of inducing the manufacturers to put declarations on all their products. A notice indicating the contents of products would make it possible to identify hazardous substances and eliminate them from the workplace. FIET will also demand from the European Commission that producers in European markets be required to label their products regardless of whether a product is considered hazardous or not. The European Commission and national authorities are being urged to take action if a product is suspected of being hazardous.

138. The Council Directive of 19 July 1982 (82/489/EEC - OJ L 218, 27.7.82) laid down the measures to facilitate the effective exercise of the right of establishment and freedom to provide services in hairdressing.

139. Workers in this sector are covered by the horizontal existing European health and safety legislation, particularly on product safety.

INDUSTRY

140. European Industry has been experiencing a far-reaching transformation, shifting the structure of industrial sectors as well as the composition of its workforce. The most striking results are the shrinking or stagnating shares of industrial employment, the decline of traditional industries, and the decrease of the share of manual workers in the labour market with, at the same time, an increasing proportion of white collar workers. Today white collar employees already form the majority of workers in several industries, such as the information technology (IT) industry. Against the background of dynamically growing competition coinciding with the completion of the internal market, industries will be seeking to invest even further in new technologies such as information technologies, computer aided design and flexible manufacturing systems. All companies will have to cope with the growing internationalisation of markets. A skilled workforce will be crucial if companies are to meet these challenges.

141. Faced with these developments, the 5th EURO-FIET Industry Conference emphasized that affiliates should answer those challenges by giving particular priority to recruitment strategies.

142. The far-reaching structural changes of European industry which are currently underway or impending and the increasing demand for mobility, whether voluntary or forced, requires adequate qualifications and sufficient training facilities to enable employees to adjust their skills or to acquire additional vocational knowledge. Vocational training, further training and re-training will be vital components in the modern, knowledge-based economics of Europe

1992. In view of this, the EURO-FIET Industry Conference adopted guidelines on "Training, Further Training and Re-training".

143. In order to fight mass unemployment by matching labour supply and labour demand and to improving the quality of work life, the policy of reducing working hours has to be continued beyond the completion of the internal market. The working time policies of European trade unions should be attuned at least at a minimum level so as to harmonize working time schemes by way of upward convergence. The EURO-FIET Industry Conference adopted guidelines on "Improving the Quality of Working Time".

144. Both the guidelines on training and working time can be regarded as yardsticks to assess the Commission's proposals for Community Directives deriving from the Social Action Programme, such as on atypical employment contracts, especially related to part-time, and on working time. Thus the Industry Trade Section will have to thoroughly review future developments of these issues granting them priority on the agenda of each meeting.

145. It is obvious that pure competitiveness and unbridled market forces, although being the Community's most favoured economic instruments, are unable to cope with the challenges of the emerging single market in a social and environmentally sound way. It is necessary to develop a forward looking European Industrial Policy which gives a fresh impetus to improve technological research and development, competition, environmental protection and the social and economic interests of employees. The Industry Trade Section will assume an active part in this discussion.

146. Furthermore the Industry Trade Section will be strongly affected by the increasing number of mergers, takeovers, and sales of companies, which primarily requires the strengthening of efforts vis-a-vis the multinational companies. This includes monitoring the legislative developments concerning the creation of a European Company Statute, as well as other EC Community developments with regard to company laws. The Industry Trade Section will have to influence those industrial companies that choose to adopt the European Company Statute and examine how best to coordinate activities of affiliates in those companies. The Trade Section will seek, with affiliated organisations, the introduction of international framework agreements with multinational companies in line with EURO-FIET's model agreement on a European Information Committee.

COMPANY LAW

147. The purpose of the instruments for Company law is to seek a common legal environment for Community companies, their shareholders and for those dealing with them. They are of particular concern to the Industry Trade Section.

148. The most recent Directives and proposals in the field of company law include the following:

INSTRUMENTS ADOPTED

4th Directive

149. This Directive (EEC/78/660, OJ 1978 L 222) sets out the minimum requirements for the disclosure of financial information by public and private limited liability companies with the exception of banks, credit institutions and insurance companies.

150. A provision in the Directive meant that National Governments had the option to exempt limited partnerships (Small and Medium Sized Businesses) from publishing their accounts. However, in Germany for example it was found that some limited partnerships were larger than small and medium sized enterprises; they could profit from the loophole in the Community legislation and be exempt from publishing full audited accounts and an annual report in accordance with the Directive's full stipulations, hence gaining an unfair advantage over competitors.

151. The Commission has proposed an amendment to the Directive which calls for a more flexible definition of Small and Medium Sized Businesses and would allow Member States to interpret more restrictively what qualifies as a small company. The proposal has not yet been adopted.

11th Directive

152. The 11th Company Law Directive, standardising the information disclosure requirements a Member State can demand from branches of companies from other countries (11th Council Directive of 21 December 1989 concerning disclosure requirements in respect of branches opened in a Member State by certain types of company governed by the law of another state), was definitively adopted by the EEC Council of Ministers. In particular, this Directive means that foreign company branches cannot be required to publish their own accounts but simply those of their Head Office.

153. This Directive will be implemented in two stages: general information disclosure rules will be in place by 1991; financial information disclosure rules will apply from 1993. Once fully operational, the Directive should put an end to the discrimination that can arise from national legislation leading a Member State to demand more information from branches of foreign companies than from domestic ones. It will also set the same requirements for branches of non-EEC companies.

Mergers Control

154. The Council adopted a Regulation on the control of concentration operations between undertakings on 21 December 1989. The scope of the Regulation and thus the Commission's powers of intervention were formally agreed upon and the Commission can vet undertakings where:

- companies' combined world-wide turnover exceeds 5 billion Ecus;
- aggregate turnover within the EEC (of at least two of the companies) exceeds 250 million Ecus).

155. The only exception would be where over two-thirds of the overall turnover was generated in one country - in this case it is up to the Member States concerned to decide upon appropriate action.

156. This set of threshold demarcating Commission vis-à-vis Member State powers to vet mergers would probably operate for 4 years from the Regulation's implementation in 1993.

157. The cases where Member States could override clearances given by the Commission to mergers within the Regulation's scope is the central concern at this stage. It appears that Member States will be allowed to act on mergers in order to defend "legitimate interests" such

as protection of public security, application of national prudential rules to banks and other credit institutions, and action to ensure plurality of the media.

INSTRUMENTS PENDING

European Company Statute

COM(88)320

158. This draft statute establishes the principle of a company operating under Community law taking precedence over national law. A European Company must initially be formed by at least two companies from the different Member States merging to form: a new operating company; a new holding company, or a joint subsidiary. The proposal would allow small and medium sized businesses to become European Companies much more easily than originally envisaged.

159. The draft Statute is in the form of a dual proposal: a draft Directive to ensure that employees have information and consultation rights; a draft Regulation on the conditions necessary for the establishment of a European Company. Both proposals only need the approval of a qualified majority in the Council of Ministers. A European Company can only be created if the conditions laid down in the instruments are respected.

160. The Economic and Social Committee forwarded its Opinion on the Regulation on March 28 1990. Although it supports the European Company Proposal, it questions several points: whether it is wise to split the proposal in two, with a draft Regulation and a draft Directive that deals purely with employee participation - as both have legal bases which allow for adoption by a qualified majority in the Council of Ministers, it considers a unanimous vote more suitable in view of the scheme's importance to business, social and taxation policy; whether ways of setting up a European Company are too limited, and; it criticises the failure to get agreement at Community level to harmonise treatment of groups of companies and to introduce measures avoiding double taxation of companies.

161. The first discussions of the draft Regulation of the European Company Statute which deals with the set up and operation of the European Company are presently held in the Council of Ministers. In the coming months the Council's expert group hopes then to work on the joint Draft Directive concerning employee's participation.

Fifth Company Law Directive (OJ C 1311985)

162. This draft Directive applies to public limited companies. It requires worker participation in the decision making of companies employing more than 1,000 people in the Community. It imposes a clear distinction between the management and supervisory functions of a company with either a two-tier or a single-tier board structure.

163. Since there is no provision on the way to determine the participation mode, the draft Directive may endanger employees rights.

164. The proposed Directive is blocked before the Council of Ministers.

10th Directive

165. The draft Tenth Company Law Directive (OJ C 23, 25.1.85) regulates cross border mergers between companies. The aim of the Directive is to give enterprises the necessary legal framework to enable them to join resources and to be better able to face competition.

166. The ETUC has criticised the draft Directive for giving workers' participation insufficient protection; the Directive could open up the possibility for one company to escape regulations on workers' participation by merging with another company in another Member State and moving its headquarters.

13th Company Law Directive

167. The proposal for this Directive (COM(88)823), (OJ C 64, 14.3.89) is nearing adoption. It establishes a binding procedural code aiming to set out the obligations and duties of the bidding and target companies alike and ensures that takeover bids may be launched in any Member State without excessive interference from the authorities. However, the implications for workers mean that they have the right to be informed about a takeover in which they are concerned but they are not allowed to have a decisive input in the procedure.

168. The objectives of the proposal are the following:

- takeovers are a useful instrument for restructuring industry;
- rule out possibility of "secret bids";
- oblige company's board to provide workers with the bidder's offer document within twenty hours of receipt;
- oblige shareholder to launch bid for the company where his/her holding exceeds a certain level (maximum 33%);
- limit reference to listed companies only, giving Member States possibility of extending Directive to cover unlisted also.

Public Procurement Directive

169. The Commission will soon put forward a draft Directive for an EEC-wide deregulation of public procurement in the services sector. Contracts for services worth 200,000 Ecus or more would fall within the scope of the Directive. Companies are hardly overjoyed at this prospect since it would mean that all contracts over and above the threshold level would be put out to tender at EEC level.

PROFESSIONAL AND MANAGERIAL STAFF

170. Managerial Staff are at the forefront of the changes in Europe and represent the sector of the workforce most called upon to take up employment in another country. As there is no

specific directive in place to cover their social and legal rights, it is essential that managers are not overlooked in this regard.

171. One of the points highlighted in the Community's action programme under the heading "Mobility" is the absence of coordination of supplementary social security schemes, an absence which may cause workers to lose rights and may form an obstacle to the development of occupational mobility of workers between the different Member States. This is especially true in the case of middle and upper managerial workers whose total social protection is more dependent on supplementary schemes. The diversity and multiplicity of such schemes, also at a national level, make the transferability of rights rather complicated. This is why, after studying the problem, the Commission may propose appropriate measures. Furthermore, supplementary protection is taking on greater importance in relation to statutory schemes in several Member States.

172. It should also be noted that after adoption of the ETUC/ UNICE joint opinion on the labour market in February 90, the ETUC agreed that further discussion between employers and trade unions should be held on the question of mobility. EURO-FIET is to take a leading part in those discussions.

Recognition of Higher Degree Qualification

173. The Council adopted on 21 December 1988 a Directive on the open recognition of higher education diplomas of three years as being adequate to enable occupational mobility. However, EURO-FIET recognised that this Directive was insufficient to cover the degree of training of engineers and has subsequently asked the EEC for a specific Directive for Engineers. The EEC endorsed further discussions with the six organisations in the European Community representing engineers to write up a directive which would apply to their particular needs. The discussions which have ensued have been fruitful but as yet no formalised wording of, the directive has been agreed upon.

SEDOC

174. SEDOC, the European System for the International Clearing of Vacancies and Applications for Employment, was set up in 1972 (Council Regulation 1612/68) with the aim of obliging Member States to practice non-discrimination between Community nationals as regards access to employment. It was also anticipated that SEDOC would go further, notably in the diffusion of information about offers of and requests for employment as well as for living and working conditions in the various regions and countries in the Community.

175. Unfortunately, this exchange of information between the Member States was insufficient for SEDOC to make concrete steps forward and, at the moment, the SEDOC department at the Commission is considering where to proceed from here. It published a draft paper on "the Revision of SEDOC" in January 1990 in which it highlighted the following points as ones which need to be developed: clear identification of national and communication systems; increase in consultation with employment services in the public sector; workshops to be held with other actors in the employment markets such as universities, researchers, unemployed persons, trade unions and so forth to pool and analyse how they have access to information on employment; meeting of specialists concerned with the treatment and exchange of information on employment; continue study with ILO on private employment agencies.

176. If SEDOC's potential were used to maximum effect, the diffusion of accurate information could ease the mobility and subsequent welfare of persons in Europe considerably.

WOMEN

177. The Council Directive of 10 February 1975 is concerned with the approximation of the laws of the Member States relating to the application of the principle of equal pay for women.

178. The European Court of Justice recently (October 1989 - Danish company Danfoss) interpreted the Directive in a way which should provide greater transparency of pay scales and thus better working conditions for women in the EEC. The Court ruled that in cases where employees are unable to assess the reasons for pay differentials it is up to the employer to provide proof that he/she is not paying his/her male employees a higher wage just because of their sex. Normally it is up to the female employee to prove that she is paid less than a male colleague of a similar grade.

179. The Council Directive of 9 February 1976 concerns the implementation of equal treatment for women and men with regard to access to employment, vocational training, promotion and working conditions. It contains several important provisions: for the first time it refers to indirect discrimination and permits Member States to pursue legal "positive" action; it also provides for the abolition of discriminatory provisions in laws, collective agreements, contracts or occupational rules, and guarantees the right of those who consider they have suffered damage as a result of discriminatory measures to assert their rights by legal action and to protect themselves against any dismissal with might result from their action to enforce observance of their right to equal treatment.

180. The Council Directive of 19 December 1978 concerns the progressive implementation of the principle of equal treatment for men and women in matters of social security.

181. In July 1986 the Council enlarged the field of application of the principle of equal treatment to occupational security schemes (Council Directive 86/378/EEC of 27.07.86, OJ C 225, 12.08.86), and, six months later adopted a new Directive on equal treatment for men and women engaged in a self-employed activity, including agriculture and on the protection of self-employed women during pregnancy and maternity (Council Directive 86/613/EEC of 11.12.86, OJ L 359 of 19.12.86).

182. On 12 January the Commission released its work programme for 1990 in which it proposes a draft Directive on the protection of pregnant women at work and a decision covering the third Community programme on equal opportunities (1991-1995) which fall under the subject "equal treatment"; a draft Directive for the granting of special leave for the parents of small children is pending before the council.

EURO-FIET FOR A SOCIAL EUROPE

183. The struggle for a Social Europe has reached a crucial phase. With the adoption of the European Action Plan, the European Commission has begun the process of churning out the various draft directives. EURO-FIET will be working closely with the ETUC to ensure that the Action Plan becomes reality. This section looks briefly at the Social Dialogue and the Action Plan.

THE SOCIAL DIALOGUE

184. The social dialogue is essentially based on two main pillars.

First, Article 118B of the Single Act, which states:

"The Commission shall endeavour to develop the dialogue between management and labour at European level which could, if the two sides consider it desirable, lead to relations based on agreement. "

Second, point 12 of the Community Charter of the Fundamental Social Rights of Workers, which states:

"The dialogue between the two sides of industry at European level which must be developed may, if the parties deem it desirable, result in contractual relations in particular at inter-occupational and sectoral level."

185. The social dialogue has developed differently in the various sectors where EURO-FIET has membership. This is due to Commission priorities and financing but, above all depends on the employers' willingness to discuss social issues as employers' organisations with a European Trade Union Federation such as EURO-FIET.

186. EURO-FIET has operated until now in several ad hoc working groups with no permanent structures in the Commission. Joint committees with an official structure exist in many sectors (transport, fisheries, shoes, agriculture etc.) but have yet to be implemented in EURO-FIET sectors of activities. This is not to suggest that progress has not been made.

187. In the Commerce sector, the memorandum agreed upon in October 1988 on training in the retail trade was the first of its kind in the Community. It has been followed up by a high level meeting between the Commissioner for social affairs, Mrs Papandreou and CECD (Confederation Europeenne du Commerce de Detail. European Confederation for Retail Trade) and EURO-FIET representatives on 29 June 1989. After this meeting the Commission committed itself to convene a high level forum to discuss a possible follow up to the memorandum and other subjects for discussion between the social partners.

188. The European Social Forum, which took place in Brussels on 28-29 June 1990, endorsed the proposal of Commissioner Papandreou for the future structure and work programme for a Dialogue in the retail trade:

- * Once a year a European Social Forum on the retail trade will be organised to review the progress made.
- * A political steering group will start immediately to give impetus to the social dialogue in the sector.
- * Two working groups will be created with the task of how to improve levels of training and to consider ways to make employment in the sector more attractive.
- * National round tables will be organised in the member states to discuss implementation of the memorandum on training agreed in 1988 between EURO-FIET and the CECD.

189. Equally important, the Commission undertook to request the opinion of the social partners in the sector on proposals emanating from the social action programme.

190. In proposing the above, the Commission confirms its intention to attribute to the social dialogue in the retail sector the same significance it gives to industry in general and to the

existing Val Duchesse social dialogue that takes place at overall Community level between the employers, through UNICE (Union of Employers' and Industrial Confederations of Europe), and the ETUC.

191. In the wholesale sector, a Working Group for the Wholesale Trade Sector, comprised of representatives of EURO-FIET and FEWITA (Federation of European Wholesale and International Trade Associations), met on 27 April 1990 to evaluate the results of the Molenaar Study on the Wholesale Trade, to propose how the study could be followed up and on what subject the Group should further its dialogue. All participants agreed that the study could be used as a tool to forecast developments in the wholesale trade sector in the next five years. The Working Group agreed that the Commission should extend the scope of the Molenaar report with respect to more detailed monographs per country, the situation of the wholesale trade sector in Eastern Europe, the problem of terms of payment in the wholesale sector, training needs and the impact of technology. It also confirmed that "New Job Profiles and the Requirements of Vocational Training in the Wholesale Trade" (including the training of trainers) would be the subject of the Working Group's future dialogue.

192. In the banking sector contacts with European employers' organisations (the Savings Banks Group of the European Economic Community, the Banking Federation of the European Community and the Association of Cooperative Banks of the European Community) have been pursued. A new working group has been set up to elaborate a report on new job profiles and training needs in the banking sector. However, more structural progress is blocked in this sector by the employers' organisations' absence of a mandate on social issues and their refusal to meet, as a group of employers, EURO-FIET. Nevertheless, it is necessary to continue holding those discussions to improve the exchange of ideas between unions and between employers and unions in Europe and, above all, to pave the way for future openings in the field of social dialogue.

193. In the insurance sector, a study on employment and qualifications in the insurance sector in the European Community, carried out by Rene Eksl of the GESTE group based in Paris, was commissioned by DG 5, the Social Affairs Directorate of the European Commission and looked in detail at the insurance sectors in the UK, France, FR Germany, Spain and Belgium. A three day seminar was held in Maidstone, in the UK, from November 20-22 1989, bringing together fifty participants from the EURO-FIET Insurance Trade Section Committee, and employers' organisations such as the European Committee on Insurance Mutuals (AISAM), the Association of European Cooperative Insurers (AECI), and the International Office of Insurance and Re-insurance Intermediaries (BIPAR). The seminar was seen by the European Commission as the first steps towards a substantive social dialogue on issues of mutual interest to the social partners. A major question for discussion would be the effects of the free provision of services in insurance in Europe for jobs, qualifications and training. It was noted that both sides of industry agreed to continue the dialogue and, with the European Commission, follow it up and pursue the ideas raised.

194. The following employers' organisations are involved in the discussions with EURO-FIET: The European Committee for Insurance (CEA), the Association of European Cooperative Insurers (AECI), the International Office of Insurance and Re-insurance Intermediaries (BIPAR), the European Committee on Insurance Mutuals (AISAM). In a meeting held on 6 July 1990, the CEA expressed its intention to start a social dialogue with EURO-FIET at European level.

195. In the future discussions between EURO-FIET and employers' organisations should be based on:

- Jointly agreed themes of interest to both parties;
- Reports elaborated by the European Commission and following prior consultations involving EURO-FIET and the employers. These reports should point out issues of common interest for future discussion;
- The Community Charter on the Fundamental Social Rights of Workers. Elements of this Charter could be discussed by the social partners and recommendations with respect to necessary action by the Commission could be made as a result of discussions.
- Community legislation and its effects on the sectors could also be the subject of discussions. Joint conclusions and recommendations on necessary action by the Commission could also emerge from such discussions.
- Joint projects on Community assistance programmes.

THE SOCIAL CHARTER

196. In December 1989, the "Community Charter on the Fundamental Social Rights of Workers" was adopted by eleven out of twelve members of the European Council. The UK Prime Minister voted against, repeating her view that the Charter featured points contrary to an enterprise society and to deregulation.

197. The Charter is structured around the following points:

- * Freedom of movement
- * Employment and remuneration
- * Improvement of living and working conditions
- * Social protection
- * Freedom of association and collective bargaining
- * Vocational training
- * Equal treatment for men and women
- * Information, consultation and participation of workers
- * Health protection and safety at the workplace
- * Protection of children and adolescents
- * The elderly
- * The disabled.

198. The Charter is a statement of intentions and is a political commitment. It is not, however, legally binding.

199. This text was examined by the ETUC which considered it insufficient to guarantee social progress in the EC. The EURO-FIET Executive Committee, in October 1989, adopted a resolution on this subject (see annex 4), as did the ETUC, in December 1989.

200. One of the weaknesses of the Social Charter is that it does not commit the Member States to the implementation of the action programme presented by the Commission in November 1989. (Communication from the Commission concerning its action programme relating to the implementation of the Community Charter of basic social rights for workers. Com 89 (568) final.)

201. The Charter simply invites the Commission to propose the adoption of Community instruments for those rights which are within Community competence.

202. The Commission has drawn up an action plan for 1990 for the submission of Community instruments to the Council.

203. The DGV "Social Affairs" in the Commission established a consultation procedure with the ETUC and UNICE, the employers' organisation, on the five initiatives to be drafted first. This has been achieved through the creation of small groups composed of 6-9 members of the ETUC and 6-9 members of the UNICE. These groups will first be informed about the Commission's intentions concerning the individual projects and will then be asked to give opinions on the proposals.

204. EURO-FIET has secured a seat in the consultation group concerned with atypical contracts and is a member of the preparatory group concerned with the directive on the reorganisation of the working week. During May 1990, the European Commission held information-consultation meetings with EURO-FIET and employers' organisations for the commerce, banking and insurance sectors regarding its draft proposals for two directives on "Part-time, fixed-term and temporary employment contracts" and on "The organisation of working time".

205. The presentations made on behalf of EURO-FIET were based on long-standing policy decisions of the organisation, drawn up by previous EURO-FIET Conferences and meetings of the various Trade Sections, and stressed:

- * the need for adequate protection of part-time workers
- * reduction of working time
- * EURO-FIET's policy on shop and bank opening hours.

206. EURO-FIET has expressed concern that the proposal on the organisation of working time could be used as a platform to extend shop and bank opening hours in Europe.

207. It is not clear to what extent the Commission will take the trade union views into consideration.

208. The attitude of UNICE has been to deny that there is any need for Commission initiatives in the social field. They argue that the areas on which the Commission wants to legislate would be better dealt with at national level and that any Community legal instrument in the social field would be detrimental to the achievement of the internal market.

209. Every Community legal instrument has to refer to an article of the Treaty of Rome or to an article of the Single Act.

210. The Commission has not yet made clear which legal instrument would be chosen for each of the social directives to be proposed.

211. Article 100A/2 maintains the unanimity rule for Community instruments relating to "the rights and interests of employed persons." Given the opposition of the UK government, to secure any chance of success, the Commission will, in many cases, have to argue that social instruments are part and parcel of "the establishment and functioning of the internal market" (Article 100A/1), as the absence of any Community instrument would result in unfair competition between countries.

212. The relevance of the legal basis chosen will certainly be an element of difficult discussion first within the Commission and then within the Council.

213. Adoption of the draft directives by the Council is largely dependent on the legal basis given to the texts. In the absence of a legal basis permitting majority voting, the chances of a successful vote will be very limited.

214. Each project, once finalised by the Social Affairs Directorate, has to be accepted by the Assembly of Commissioners to become a Commission proposal.

215. The project will then follow the normal consultation procedure through the European Parliament and the Economic and Social Committee and be discussed by the Committee of Permanent Representatives and then by the Council.

216. EURO-FIET will continue to monitor developments and collaborate closely with the ETUC in working for the creation and implementation of the proposals to bring about a Social Europe.

PART THREE: A SOCIAL DIMENSION TO EUROPEAN INTEGRATION: UNION PRIORITIES IN THE 1990'S

217. When people talk about a "social dimension" to European integration they are usually referring to the specific need to balance the economic process of building the single market of the European Community with social provisions to ensure that the costs and benefits of integration are distributed fairly. However, in the wider process of integration which this report has identified as the moving force behind the creation of the New Europe, there is also a social dimension. This entails drawing together the diverse strands of the European democratic heritage to produce a vision of what kind of society we want the new Europe to be. Trade unions are not the only actors in this drama, but the labour movement has played a decisive role over the past century in the creation of what can justifiably be called the European vision of society, based on political pluralism, democratic accountability, economic and social justice, and equality. It must play this role again in the creation of the New Europe of the next century.

218. Based on our collected experience of grappling with the diverse problems of society in the past, and reflecting on the dizzy process of change going on around us in the present, we can map out some of the landmarks which should guide the European labour movement towards the future.

HUMAN AND TRADE UNION RIGHTS

219. Europe was the cradle of the modern notion of human rights, now recognised as universally valid and embodied as a global aspiration in the United Nations Declaration of Human Rights. Trade union rights are inseparable from human rights; they build on the principles of freedom of association, universal suffrage and the right to collective bargaining. Rights must be supported, however, by institutions which can ensure their effective exercise in changing contexts. Active trade unions are vital institutions in the preservation and exercise of human rights, and therefore of the democratic process. Rights cannot just be consumed but must be recreated by a pluralistic range of institutions in democratic societies. The New Europe must refurbish this democratic heritage to meet the new challenge of unity through diversity.

220. This diversity must also be open not restrictive. While all the citizens of Europe should have the right to participate equally in our common institutions, we must also recognise that the close neighbours of Europe, in North Africa, for example, will be intimately affected by the process of European integration. Trade unions have to play a stronger role in protecting the rights of migrant workers and their families. The tendency to collapse into xenophobic nationalism is strong at a time when old identities are being lost and new ones are being forged. The New Europe must be vigilant against this danger and ensure that diversity is promoted as a positive strength and not allowed to weaken solidarity. EURO-FIET and member unions must work decisively and actively against xenophobia, racism and discrimination.

ECONOMIC AND SOCIAL JUSTICE

221. Human rights in a democratic society are incomplete however if they do not extend to secure economic and social justice. The collapse of communism showed that economic and social justice cannot simply be programmed into social systems from the beginning. This is not to say that market forces provide any kind of panacea; they can also increase inequality if unbalanced by policies of economic and social protection. The New Europe must be committed to the achievement of full employment, to the elimination of poverty, to a floor of social security below which no-one will be allowed to fall. All citizens must have equal access to health care, education and other social and community services.

222. Working life should be based on equal opportunities, striving to combine economic efficiency and human fulfilment. Economic gains should be fairly divided and distributed, through better pay and working conditions and reduced working time. In the interests of producing more humane working conditions and creating new employment, working hours should be reduced to 35 hours a week or less. All employees should receive an adequate level of wages or salaries based on collective agreements, representing an equitable share of the wealth they help to produce or a just reward for the services they render. In the New Europe, collective bargaining has a prime role to play in the redistribution of wealth. All people should have the opportunity to participate fully in working life on an equal basis; there is no room for two-tier labour markets that discriminate against young or old, women or men, part-time or full-time, or minorities of any kind. Flexibility at work cannot be one-sided; employees and employers must share the costs and benefits of the reorganisation of work through negotiation. Information, consultation and participation in decision-making must be a principle which runs throughout working life in the New Europe.

223. Where markets fail or are not the appropriate mechanism, then public authorities must step in to ensure that inequalities and inefficiencies are ironed out. One area where markets have been woefully inadequate and are likely to fall far short of future demands is in the field of matching supply and demand for labour. Public authorities must pursue active labour market policies to meet existing and anticipated needs.

CONTINUOUS EDUCATION AND TRAINING

224. Though there are currently wide divergences in economic development across Europe, the objective must be that Europe aims to be a high-wage, and therefore high-skill economy. As our societies become ever more dependent on complex, integrated technologies, there is a danger that we will not invest to create the human expertise to maintain the information and service economics of the future. Education and training are no longer just rights, but necessities. Training and skill development need to be built into our education systems from the beginning, and be adaptable to changing needs. Training cannot be viewed as something which ever finishes. It must be a continuous process of learning and re-learning; training, retraining and further training. If employers do not voluntarily invest in their most precious of resources, then mechanisms must be found which oblige them to do so.

DEMOCRATIC ACCOUNTABILITY AND PARTICIPATION

225. Social and economic standards must be established jointly, in consultation with those whose interests are affected. A coherent European approach should be adopted to ILO

standards. In order to secure trade union rights and economic and social justice, workers representatives through their trade unions must be informed and consulted when decisions which affect them are made at the company, the sectoral, the national, and European level. Whether decisions are made by governments, international institutions or by private companies or associations, the voice of working people must be heard. Only in this way can democratic accountability run throughout working life in the New Europe.

226. Democratic accountability must be a living principle which informs all new institutions which are created by the New Europe. It is not sufficient to simply give European citizens the vote and hope for passive acceptance. Interests must be active and organised to defend pluralism; information must be freely available and publicised; the information media must be free from sectional interests to operate in the public interest. Links between national parliaments and European institutions must be close and active to encourage scrutiny and accountability. The European Parliament must have the full powers to amend and reject European legislation and must be a watchdog with teeth.

ECONOMIC AND MONETARY UNION

227. The creation of a single European currency will have profound psychological and economic implications. Monetary policy within the European Community must be committed to full employment, economic growth, price stability and balanced trade. If the monetary authorities are given autonomy, they must also be democratically accountable. The social partners should have an input to European economic policy. Economic and Monetary Union must not be allowed to erode solidarity by favouring economic development in one region at the expense of another. European economic policy must include a robust regional policy which counteracts the disadvantages of peripheral or underdeveloped areas.

EUROPEAN COMPANIES

228. The spur of the single market and the disappearance of other barriers to trade in goods and services across Europe will lead to the growth of European companies, hybrid multinationals which will treat Europe as their home market. Trade unions must be equipped to bargain with these European companies and represent the interests of employees across Europe. To do this they need specific rights to information, consultation and participation at the European level, and these same rights must be tailored to effectively cover common and uncommon events such as company mergers and takeovers. Trade unions also need to organise the information they collect and use it effectively at the European level. Collective bargaining information should also be integrated into this approach.

229. EURO-FIET must act as the clearing house for information at the European level, holding information on companies in computerised databases, and must target companies for agreements. Until a European Community right to information and consultation at the international level is available, EURO-FIET and affiliated unions should pressure companies to sign voluntary agreements, in line with the Action Plan, attached as an annex to this report. Companies should be targeted by the trade sections for agreements and reviewed by the next EURO-FIET Conference.

PEACE AND SECURITY

230. The New Europe offers the hope that a history of conflict and division can be overcome in a new era of peace, co-operation and security. Weapons stockpiles need to be reduced through negotiation; confidence built through inspection and verification processes; military research and development turned to civilian needs; arms production capacity converted to peaceful purposes; and military service reduced hand in hand with the expansion of alternative employment opportunities.

231. Trade unions must contribute to this process through international fora such as the Conference on Security and Co-operation in Europe, (via the ETUC and ICFTU) and through the strengthening of experiences, contacts and structures across old divisions. The peace dividend must not be frittered away but invested in civil society which relies on common security to avoid conflict.

THE WORKING AND LIVING ENVIRONMENT

232. The environment is continuous; it must be protected from production and consumption, in the workplace and in society at large. There is a close connection between high standards of workplace health and safety, and protecting the environment from pollution and destruction. Investment in high environmental standards of production and consumption will create employment and a more environmentally benign type of economic growth. Environmental standards must be global as pollution is no respecter of frontiers. A priority for the new Europe is to address the assault on the environment in Central and Eastern Europe which suffers some of the most polluted regions of the globe. Development assistance to the Third World must aid and encourage high environmental standards and sustainable development. The New Europe must set the highest standards for the working and living environment, a crucible of new, clean technologies. Environmental considerations have to be integrated into all areas of trade union policy.

THE SOCIAL DIMENSION IN CENTRAL AND EASTERN EUROPE

233. The revolutions which swept Central and Eastern Europe were driven by the desire for democracy and pluralism. If these hopes are not to be dashed, then economic reconstruction must be accompanied by a social dimension. Aid and economic assistance must be provided but must not undermine social standards, whether this investment is from public funds or private corporations. Economic assistance must be provided within the framework of a development programme which is guided by environmental concerns. The aim must be to eliminate the disparities in living standards and quality of life, without permitting downward harmonisation.

234. Multinational companies must not be allowed to undercut environmental or labour standards in Central and Eastern Europe. The ratification and implementation of ILO labour standards should be harmonised across the New Europe. The social safety net must span Europe and not stop as a memorial to where the Iron Curtain once stood. EURO-FIET is of the firm belief that free and independent trade unions are one of the basic pillars of a democratic society. New labour laws in Central and Eastern Europe must guarantee freedom of association, the right to collective bargaining, the right to strike and equal rights for women, in

accordance with ILO standards. EURO-FIET and its affiliates should provide the free and independent trade unions of Central and Eastern Europe with greater material assistance, education projects and advice to help in the struggle to build up strong organisations which can promote and defend the interests of workers.

SOCIAL EUROPE

235. The seed of the social dimension for the whole of the New Europe is germinating now in the social dimension to the European Community's single market. The struggle for a Social Europe is entering a crucial phase. The ETUC, EURO-FIET and its affiliates are united in their campaign to mobilise support for a social Europe. We cannot accept a New Europe where one country's arrangements for social protection are pitched against another's. We cannot accept that levels of social protection are lowered to the lowest common denominator. Upward harmonisation of working and social conditions has to be an integral part of EC policy. Thus, directives and regulations must not ignore the social dimension; the Social Charter must be strengthened and the action plan fully implemented; the framework of social dialogue between the social partners must be refined at the European and sectoral level. Trade unions within EURO-FIET must co-ordinate their lobbying pressure around EURO-FIET policy with national governments, the European Parliament, the European Commission and opinion formers across Europe. We must also keep a close watching brief on the negotiations to create a European Economic Space and be prepared to put the trade union point of view on the issues raised by this process.

236. EURO-FIET recognises that building a Social Dialogue between unions and employers - as contained in article 118B of the Single European Act - is also an important element of building a social dimension to European Integration. The establishment by EURO-FIET and employers of a social dialogue in the retail sector, in June 1990, is a major step forward. The social dialogue in this sector brings with it the potential to introduce imaginative strategies to improve levels of qualifications, education and training, working conditions, and a better quality of employment. EURO-FIET should seek to establish, as a priority, the social dialogue in its other trade sections.

STRONG TRADE UNIONS

237. A theme which runs through the centre of the democratic vision of European society is that pluralism needs organised interests to work. If working people are not organised and backed by strong trade unions, then their voice will not be heard in the clamour of pressure groups and interests which characterise democratic society. If they are not organised and backed by strong trade unions, their interests at work will be subservient to the different interests of employers. Trade union organisation must be relevant to changing needs, as the nature of work evolves in the service economies of the future. Where the typical workplace fifty years ago was the factory it is now the office; in many countries the services sector is now the major source of employment. Some of the needs and interests of workers will always be there, always be the same. But others are new; emerging from current concerns and patterns of work. Trade unions must orientate themselves towards these new needs so that they are in a position to respond to them, even anticipate them. Trade unions must be oriented towards the future. Trade union organisation must be relevant to all groups, men and women, young and old, skilled, unskilled and professional and managerial staff. Without strong trade unions, everyone in the New Europe will be the poorer.

EURO-FIET PRIORITIES INTO THE 1990'S

238. Faced with the nature of economic and political developments taking place in Europe, if we are to achieve a social dimension to them, then not only will strong national unions be required but effective international trade union action.

239. EURO-FIET's membership, as does FIET's, stands at a record high. This strength has to be used and applied in the campaign for a Social Europe. EURO-FIET must be in a position to respond efficiently and effectively to the challenge of change, whether it be in lobbying for proper social and labour laws at the European Community, undertaking solidarity action in multinationals or working with our Central and East European brothers and sisters to build strong and independent unions. If we are to be successful, then the commitment and involvement of affiliates is a prerequisite.

240. The priority for EURO-FIET must be to focus on practical activities where it is possible to achieve tangible results through international trade union co-operation and solidarity. The context of our work is changing with the blurring of national boundaries, and we must not just react to events but have an influence on their direction. In the quest for practical solidarity action, each element of our structure has an important role to play.

241. The EURO-FIET Secretariat will have to continue its servicing of the Executive, the Trade Sections and the Interprofessional Groups. The EURO-FIET Brussels Office has the deserved reputation as one of the most effective and efficient operations for relations with Community institutions. The Brussels Office will continue to play a vital role in forging ever more closer links with the European Commission, Economic and Social Committee and European Parliament.

242. A priority must be to expand our network of contacts with MEP's. If, as we can anticipate, the powers of the Parliament are increased, then our links with MEP's will become ever more important. EURO-FIET should be holding regular briefings for MEP's, preparing written questions and working closely with those who are members of committees reviewing legislation of interest to us.

243. At the Economic and Social Committee, it is vital that EURO-FIET continues the practice of nominating representatives of our affiliates to participate in the committees to review directives.

244. At regular intervals, the Secretariat should circulate information to affiliates on developments within the European Communities. This should not necessarily 'relate exclusively to the implementation of the Social Action Programme but also to wider issues of interest to our members. EURO-FIET should be in a position to organise briefings with the European Commission on the practical ramifications of directives, for example, on the VDU directive.

245. The Secretariat will also have to report on decisions of the Court of justice when they interpret application of directives and complaints about the lack of compliance with them.

246. Another important task for the Secretariat will be to follow more closely the activities of EFTA and negotiations taking place with the European Commission for a European Economic Space.

247. The EURO-FIET Executive will be responsible for making an overall examination of activities of the Secretariat and Trade Sections and indeed focussing on priorities. The Executive should receive an updated report at each meeting on the Internal Market, including progress of directives, progress in implementing the Social Action Programme, and

developments in the social dialogue. The EURO-FIET Executive will also have to consider where particular emphasis will be required in our work. In a number of resolutions to the Regional Conference, requests are made for special EURO-FIET meetings on Social Europe; peace, disarmament and development, and the impact of changing patterns of work organisation and technology on work performance.

248. The Trade Sections are the backbone of EURO-FIET activities and will continue to play a critical role in our work. Each one meets regularly and during 1990 a series of trade section conferences have been held to discuss future activities. A number of priorities stand out:

- * Systematic collection of information on collective bargaining developments and working conditions;
- * Development of a database on multinationals;
- * Identification of multinationals to apply the Action Plan (see annex);
- * Adoption of opinions on various directives;
- * Continuing discussions with relevant Directorate Generals of the European Commission;
- * Taking responsibility for highlighting priorities and objectives in the social dialogue.

249. Affiliates will also have to be fully committed to the achievement of objectives. Agendas already strained with national commitments will come in for further punishment with international commitments. By the year 2000, however, it is not too difficult to imagine that today's routine of travelling on union business from London to Manchester, from Dusseldorf to Hamburg, from Paris to Lille or from Rome to Naples will be replaced with a routine of London to Brussels, Dusseldorf to Paris or Rome to London.

250. Union activities in the New Europe will force us to lift our attention above the local negotiating context. Affiliates should, if they have not already done so, be considering how they are to follow and influence international developments, whether it be through new union departments, union officers or union committees.

251. EURO-FIET requires national union representatives to be available for our growing range of commitments in Europe. Participation in the social dialogue and hoped for success in obtaining information and consultation rights in multinationals will involve time and commitment. It has to be recognised that it will be almost impossible for EURO-FIET and FIET to service all agreements with multinationals. Affiliates will have to undertake much of the practical union work involved. By the year 2000 meetings with multinationals involving international union delegations must be routine.

252. The potential for practical action is clearly there. EURO-FIET and FIET have the membership, the commitment, the expertise and the motivation to achieve concrete results. If in our work, EURO-FIET and FIET follow these priorities, then we will be making a full contribution to the social and political debate in the building of a New Europe.

MULTINATIONAL COMPANIES ACTION PROGRAMME

INTRODUCTION

This Action Programme is intended as a guide to trade union strategy towards multinational companies in the context of European integration. The final objective is to obtain information, consultation and participation arrangements for trade unions at the international level within companies, with the establishment of a European Information Committee as outlined in the FIET Model Agreement. Under no illusion that this aim will be easy to achieve, the Action Programme approaches the problem by seeking to obtain information from companies in response to specific questions contained in a Checklist relating to three areas:

- * the company's European business strategy;
- * its response to the requirements of the European Community Social Charter;
- * and its view of new European structures for participation including the FIET Model Agreement.

By putting specific questions, it is intended both to obtain useful information and to progressively increase the pressure on the company to establish a European Information Committee. The manner in which this Action Programme is used as a campaigning tool in particular multinational companies will vary depending on the context. However an outline campaign procedure could be as follows:

1. FIET would write to the company's European head office seeking replies to the Checklist of questions, explaining that the response will be circulated to all affiliated unions with membership within the company.
2. If the company ignores the request for information, this should be publicised amongst the employees of the company. The Checklist should then be resubmitted both to European head office management, and to national head office management.
3. If the response is still inadequate, then the process could be repeated at local levels, wherever affiliates have the membership and resources to conduct such a campaign.
4. The results of the campaign should be submitted to FIET so that the performance of the company can be rated in a register of social responsibility, a subsection of the FIET Multinational Companies Database, which would be updated each year.

THE CONTEXT OF THE ACTION PROGRAMME

Social Partners in Europe

European labour relations are based on a distinct tradition of dialogue between the social partners, the representatives of employers and employees. Through dialogue, drawing on well-established rights and responsibilities, the inevitably divergent interests of the social partners can be reconciled through negotiation and the search for consensus. This tradition which forms a key part of what may be called the social market economy, matches economic efficiency with social justice and underpins the current recreation of labour relations at the European level. This level consists of both the new supranational, legislative arrangements being created by the European Community and the opening up of Central and Eastern Europe to freedom and democracy. For the first time, a truly European Economic and Social Space is being created which must reflect the European tradition of democracy at all levels.

The Struggle for International Recognition

Working people, through their trade unions, have always had to struggle to gain recognition and access to decision taking. In the past, this struggle for recognition has primarily been at the national level with national employers. However as business becomes increasingly international and companies increasingly multinational, so the voice of working people needs to be heard at the international level, where many important decisions are now taken. Though trade unions may eventually be given the right through legislation to represent their members at the European level, access to information and consultation is needed now. The purpose of this action programme is to campaign for trade union recognition at the international level.

The European Community Charter of Fundamental Social Rights

The Social Charter is a political declaration adopted by the European Community Council of Ministers in Strasburg in December 1989 which sets out the basic social rights which should be given equal importance to economic aspects if the Single European Market is to develop in a balanced fashion. The Charter contains the right to freedom of association and collective bargaining, which are also included in the United Nations Declaration of Human Rights. Section 18 of the EC Social Charter states;

"This right shall imply that relations based on agreement may be established by the two sides of industry at European level if they consider it desirable. The contractual agreements thus entered into may cover employment and working conditions, including measures of social protection for the workers concerned. To this end the dialogue between the two sides of industry at European level must be developed, in particular at the interoccupational and sectoral level."

The Social Charter also specifies the Right to Information, Consultation and Participation of workers. Sections 22 and 23 state:

"Information, consultation and participation of workers must be developed along appropriate lines and in such a way as to take account of the laws, contractual agreements and practices in force in the Member States. This shall apply especially in companies or groups of companies having establishments or companies in several Member states.

In particular, these provisions shall be implemented in the following cases:

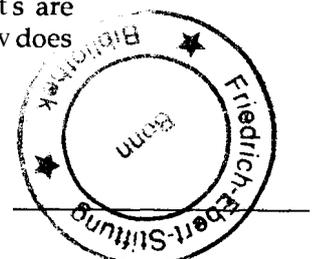
- when technological changes that have major implications for the workforce as far as working conditions and work organisation are concerned, are introduced into firms;
- in connection with restructuring operations in firms or mergers having an impact on the employment of workers;
- when transfrontier workers are affected by employment policies pursued by the firm where they are employed."

The social measures contained in the Charter should be fully implemented through legislation and through both sides of industry concluding collective agreements at national, regional sectoral and company level.

CHECKLIST

As part of the campaign to obtain a European Information Committee, the following questions should be posed to the company:

- a) Single European Market Business Strategy
 1. The creation of the Single European Market and the prospect of full freedom of services is bringing new opportunities and increased competition. How is the company responding to the challenge of the 1992 process?
 2. The Single European Market is being created through new rules and regulations in each sector. How is the company approaching the new legislative framework at the European level and what effects will the new situation have on business?
 3. How is the company responding to the changes which are taking place in its European market and how will it meet increased competition?
 4. Is the company planning any major expansion in its activities, either through mergers or joint venture arrangements? In which markets will these occur and what will be the impact on existing activities and employment?
- b) European Community Social Charter
 1. The European Community Social Charter calls on companies to implement the social measures it contains through collective agreements at national, regional sectoral and company level. How is the company proposing to meet this responsibility?
 2. The European Community Social Charter calls on companies to reach contractual agreements at the European level covering employment, working conditions and social protection of workers. Does the company feel that such agreements are desirable? If yes, how is the company meeting this responsibility? If no, how does the company justify its stance in opposition to European social policy?



3. The company has establishments in several Member states. How is the company seeking to meet the commitment contained in the European Community Social Charter to provide information, consultation and participation to workers at the European level, particularly in the case of major technological change, major restructurings or mergers and transfrontier employment?
4. The European Community has adopted a series of directives in the field of health and safety in the workplace. How is the company responding to these new legal requirements? Are existing joint health and safety arrangements adequate? What further steps must the employer take to meet legislation on health and safety in the workplace? What formal workplace agreements will be needed to meet these requirements?
5. The European Community already has some legislation on equal treatment for men and women at work. The European Community Social Charter states that equal treatment for men and women must be guaranteed, and that this principle of equality must be implemented in matters of remuneration, access to employment, social protection, education and vocational training and career development. How is the company meeting these responsibilities?
6. The European Community Social Charter states that continuing and permanent training systems should be established enabling every citizen to undergo retraining, more especially through leave for training purposes, to acquire and improve skills, particularly in the light of technical developments. What is the company doing to meet this responsibility and to meet the challenge of using its single most important resource, its workforce?

c) New European Structures for Employee Participation

1. Employees within the company would like information and consultation on the questions listed above on a regular and systematic basis. Rather than being conducted in an ad hoc manner, it would seem reasonable to set up some appropriate machinery for information and consultation at the European level. Will the company discuss the establishment of a European Information Committee along the lines of that envisaged in the attached FIET Model Agreement?
2. What plans does the company have to improve its information and consultation arrangements at the European level, taking into account prospective European Community requirements?
3. How does the company view new legal structures for European companies, such as the proposed European Company Statute and the European Economic Interest Grouping? Will the company make use of any such structures?
4. Does the company have the vision to act on a voluntary basis or will it only introduce new structures when legally obliged to do so?