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Europe 1992

European Labour Forum 3

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There can be no doubt about the aim of the 1992 deadline for achieving a single integrated market in the twelve countries of the European Community. We have only to note the words of the European Communities President, Jacques Delors:

> "This large market without frontiers, because of its size and because of the possibilities it offers for scientific, technical and commercial cooperation, gives a unique opportunity for our industry to improve its competitivity. It will also increase growth and employment and contribute to a better balance in the world economy".

The meaning of this is clear: European firms in this single market can become more competitive and stand up to competition from Japanese and United States firms in the world economy.

Big changes are taking place in the world economy. The European Communities which supplied some 50 per cent of the world's manufactured exports in 1980 supplied only 40 per cent in 1987. West Germany's share at 15 per cent remained steady, overtaking the United States at 14 per cent in 1982, while Japan surpassed both by 1984 to establish a share of 20 per cent, compared with only 13 per cent in 1980. Even more important is the fact that Japanese firms have been investing in production outside their frontiers, so that this investment now amounts to a figure equal to United States companies overseas investment and to more than that of all European companies. The top six Japanese groups have for some years shared a place in the top 25 world industrial groupings together with sixteen United States companies and Shell, BP and Unilever from Europe.

Uneven Development

The result of the rise of the industries and companies of Japan in competition with the United States and Europe is that the dominant position of the USA in the capitalist world economy is under challenge.

Uneven development of both companies and national centres of capitalism has occurred before. The challenge of Germany and of the United States to British industrial and financial dominance ended in 1945 with the United States establishing a clear world hegemony, military, political and economic. It had taken two world wars to achieve, in which Germany was twice defeated and the United States accumulated nearly the whole of the world's gold stock, and supplied the resources for capitalist restructuring. The dollar replaced the £ sterling as the world's currency. The United States became a super-power, challenged militarily but not economically only by the Soviet Union. World recovery after 1945 was encouraged by the United States purchasing always more than she sold and paying with gold. When the gold ran out in 1971 and payment was made in dollars, United States economic dominance allowed the system to continue. But when that dominance was challenged, first by West Germany and then by Japan, the capitalist world entered a major crisis. There was no one dominant power. A world war to decide the issue was no longer acceptable with nuclear weapons.

There have been endless summit meetings of the Big Seven — the USA, Japan, West Germany, France, UK, Italy and Canada — but no agreement has been reached on *inter*-national action to replace the world economic structure agreed at Bretton Woods in 1944. This had been designed to prevent a recurrence of the beggar-my-neighbour policies of national governments in the 1930s through the operations of an International Monetary Fund, a World Bank and a General Agreement on Tariffs and Trade, all under the umbrella of US hegemony. Since this has now collapsed, beggar-my-neighbour policies are once more rife. Economic conflict between Japan, the European communities and the USA has begun to sharpen. Japan has always operated protectionist measures in trade and the USA has started to respond in kind. The European Community's Common Agricultural Policy was always highly protectionist and the United States is now retaliating with its own protectionist measures. In this heated atmosphere pressure has grown inside the European Community for what is called a "Fortress Europe" strategy.

This strategy has not only protectionist by also federalist implications and not all the members of the European community subscribe to it. Mrs Thatcher for one is critical. This is partly on account of her generally Atlanticist orientation and infatuation with Ronald Reagan, but partly because many large British industrial and mining companies and British finance houses have a world-wide interest that extends beyond the boundaries of Europe. In particular, over a half of British companies' foreign investment is today in the United States. In the last decade more than 60 per cent of all British direct investment overseas has been in the USA, half of this in manufacturing industry. The current battle for partners for GEC, like the previous battle for Westland helicopters, reveals the line-up between those favouring a European link-up and those favouring United States' partners. Mrs Thatcher has clearly placed herself among the latter, even to the extent of losing two members of her cabinet in the Westland battle.

The Federalist Movement

European federalists have long had the ambition to convert what began as a Coal and Steel cartel and a Common Market into a United States of Europe with a federal constitution. The Commission of the European Communities already prepares and executes all the Regulations, Directives, Decisions, Recommendations and Opinions that the Council of Ministers has agreed upon. It was these decisions that Mrs Thatcher claimed were creating "a European super-state exercising a new dominance from Brussels", where Mr. Delors had promised that "80 per cent of Europe's economic and social legislation would be decided within ten years." The point is that, while Recommendations and Opinions have no binding force, Decisions are binding on those to whom they are addressed, which may include member states, and Regulations and Directives are directly applicable to member states, although Directives leave the method of implementation to national governments. If there is a conflict between a Regulation and existing national law, the Regulation prevails. Up until now national sovereignty has been retained by the rule that all decisions (with a small 'd') of the Council of Ministers have had to be unanimous. The main practical effect of the Single European Act of July 1987 is that unanimity will not be required in all cases. Instead, a qualified majority of the Council can carry a decision. The Act also gives to the directly elected European Parliament the new powers of giving two readings to draft laws and influencing internal market law through amendments. Otherwise, the Parliament's powers do not go beyond the review of laws and the ultimate rejection of the Commission's budget proposals. MEPs act mainly as communicators of opinion between their constituencies and Brussels and back home again.

The introduction of majority voting in the decisions of the Council of Ministers has very wide implications. West Germany, France, Italy and the UK each have ten votes; Spain has eight; Belgium, the Netherlands, Greece and Portugal have three each and Luxembourg has two. For a qualified majority in Council voting at least fifty four votes out of the seventy six are required for a decision to be taken. Under the new Act cases where a qualified majority vote can now carry the decision include the following:

— alignment of national standards and laws which have as their object the establishment and functioning of the internal market;
— alteration or suspension of duties under the Common Customs Tariff;
— freedom of establishment (i.e. of companies etc.);
— recognition of professional qualifications;
— free movement of capital and services;
— progress in establishing a common transport policy;
— protection of the environment;
— occupational health and safety standards.

The British TUC has pointed out that in the case of areas like the last two Community legislation is generally advanced not by Regulations but by Directives. These leave to the national authorities the choice of form and methods of implementation. Minimum standards will be laid down, but the European TUC is pressing for as wide as possible interpretation and for co-ordinated trade union action to ensure that all governments adopt the most advantageous forms of implementation, so that no individual government is allowed to lag behind.

A unanimous vote of the Council of Ministers will still be required in the following matters:
— decisions concerning the alignment of national turnover and excise tax systems;
— rules on direct taxation;
— free movement of persons;
— employees' rights and interests.

This last area of decision making is obviously of the very greatest importance to trade unions. The British Government has already used the unanimity rule on several occasions to thwart the introduction of legislation requiring companies to provide information to their workers and involve them in various forms of participation. The opening up of the unanimity rule in those areas listed in the previous paragraph does not wholly debar individual nations from taking protective action in what they claim to be the national interest. It will be for the Commission to determine whether such measures were arbitrary and/or discriminatory. If the Commission decided that they were and the government persisted, it could be taken to the European Court. The British Government has been taken to the Court on several issues including sex discrimination and environmental pollution. It may still remain for local activists to ensure that the Court's orders are carried out.

Measures of Protection: Inside the Community

All the measures designed to open up the markets of the twelve countries in the European Community face two ways: inwards, to allow completely free movement of goods, services, capital and labour within the Community; outwards, to put at a disadvantage all those outside the Community who might wish to supply such goods, services, capital and labour. Apart from the Common Agricultural Policy which places a levy on agricultural imports, there are various levels of tariff on manufactured imports into the Community. These do not of course apply to intra-European trade. What difference, then, does the Single Europe Act make to the competitive position of the twelve members of the Community in relation to each other and to the outside world? Most people probably thought that the establishment of a Common Market had already achieved the single market that the new Act proclaims as its objective.

Even after all the tariff walls between the member states were pulled down and common policies were pursued in relation to agriculture, coal and steel, the ex-colonial territories, exchange rates and other issues of European and foreign policy, many national impediments remained to restrict the free movement of goods, services, capital and labour; and co-operation in many fields was more honoured in the breach than the observance. Many of the impediments were kept in place by central and local government authorities through taxes, subsidies, laws and regulations on hygiene, health and safety, labelling, licensing, patent and copyright, exchange controls and public purchasing practice as well as by direct frontier controls. Other impediments were imposed by professional associations' requirements concerning qualifications and by national industrial and commercial associations' restrictive practices. Some of all these different types of impediment to a single market had been fought for over the years by national trade unions in order to protect their members from what they deemed to be the undermining of acceptable standards of health and safety and working conditions. Others had been gained by the pressure of special interest groups, pressing for higher pensions, maternity benefit, equal opportunities, creches at work, children's allowances, consumer protection, environmental controls etc.

Examples of these impediments to a general free-for-all in the market place are worth listing, although the list cannot be complete:

1. *Taxes:* different rates of income tax, with different allowances; different rates of VAT and of duty on alcohol, petrol, tobacco, etc.
2. *Frontier controls:* different controls on goods moving inside the community and different restrictions on the movement of persons, community nationals, migrants, immigrants, tourists; movement of drugs, firearms, etc.
3. *Quotas* and other controls on imports from outside the Community varying from country to country as an element in bargains, e.g. with ex-colonies over imports of textiles, bananas, etc.

4. *Exchange Controls* over capital movements, remission of funds, property purchases and sales, etc.
5. *Technical specifications and standards* in relation to manufactured goods, as in the case of cars — headlights, safety belts, exhaust emission — and trade descriptions and labelling generally;
6. *Hygiene and Health and Safety Standards* concerning foodstuffs, pharmaceuticals, drugs, etc.
7. *Self-regulation* in relation to banking and commercial practices, insurance, mortgage qualifications, etc.
8. *Professional licences* to practice as doctors, lawyers, accountants, architects etc.
9. *Public procurement contracts* in Britain. These represent a quarter of the total national product and are subject to compliance to local and regional preferment, social clauses, equal opportunities, trade union conditions, strategic defence considerations, etc.
10. *Transport regulations* concerning size of lorries, licensing, air traffic controls, flight schedules, etc., and in communications regulations and pricing policies concerning telephones, TV, broadcasting.

Outside the Community — The Third World

European Community Commissioners are insistent that the effect of the opening up of the single internal market will not be at the expense of external suppliers, because the whole market will expand so rapidly that it will have to draw in supplies from outside. Rather in contradiction of this, they also estimate that while imports will grow by 7 per cent, exports will grow by 10 per cent. Benefits for outside suppliers will go only to those which are most competitive and the removal of preference for suppliers in ACP countries (ex-European colonies in Africa, the Caribbean and Pacific) which they have had in the French and British markets will end in 1992. This is important for these suppliers in the market for bananas, rum and sugar, and, although only about 20 per cent of Europe's banana consumption comes from the ACP, some of these products provide 90 per cent of several countries' export earnings. There may be some advantages for Third World countries after 1992 in that aid will no longer be able to be tied to purchases from the aid granting country; but there is an ominous note in the words of the EC commissioner for external relations and trade policy, when he said that he would demand reciprocity from any country wishing to have access to the European market, whether this was in relation to goods or services. But he would not ask developing countries to make concessions "beyond their means".

Even where there has not been, as in the case of the ACP countries, any preference given in the past to any particular external supplier, the freeing of all internal impediments to trade inside the Community will leave those outside at a disadvantage. The giant industrial and commercial groupings of Japan and of the USA may be expected to be able to look after themselves. The United States has already established its own single market with Canada, while Japan rapidly expands her overseas investments. By contrast, the position not only of the Third World countries but also of the USSR, East Europe and the Scandinavian countries is fraught. East Germany already has close trade links with West Germany and the others are all seeking to forge closer links with the European Community. Sweden and Norway are contemplating Community membership. COMECON, the Council of Mutual Economic Co-operation of the Soviet Union, East Europe and Cuba, has established formal diplomatic relations with Brussels. The COMECON countries do about 17 per cent of their trade with the EEC, a bit more than half accounted for by the USSR. COMECON is much less important to the EEC countries, accounting for only 3-4 per cent of EEC trade.

The Third World countries' trade has always been tied in closely to European partners as a result of past colonial relations. Under these relations a quite artificial division of labour was established, by which Europe supplied the manufactures and the colonial countries the food and raw materials. With the development of synthetic substitutes for many raw materials and the increasing protection of agriculture in Europe, the Third World countries' share of Europe's imports has declined, with the exception of oil imports. Because of the price hike the value of Europe's oil imports multiplied tenfold between 1973 and 1980, but their imports have since fallen back to a third of their peak. As a result of all these developments and the falling prices of other Third World products besides oil, the Third World's share of Europe's imports has fallen from around 20 per cent in 1960 to around 10 per cent in 1987. The European market remains an important market for the Third World countries taking nearly a quarter of all their exports, but up to 1980 the proportion was nearer to a third.

As a result of the creation of the single European market, Third World agricultural producers expect to be edged out not only from their European markets, but from traditional markets elsewhere by European farmers. Already CAP subsidies on community food products amount to some \$37.5 billion, equal to 15 per cent of the annual value of all Third World food exports. The quantity of European sugar dumped on world markets now amounts to 3.5 million tonnes. We have already noted that 1992 spells the end of the special arrangements that ACP countries had with their old colonial trading countries. The problem for non-ACP countries is going to be not only the continuing subsidisation of European production but the low costs that can be achieved by highly capitalised agro-industrial production in Europe. Lord Cockfield, the retired EC commissioner responsible for the internal market has commented that "If foreigners are frightened of this, they should start pulling their socks up". The problem for most Third World countries is that the end of colonial rule left them with a very narrow range of products to offer and very low levels of development — rather poor "socks" to pull up!

Some Third World countries have, however, succeeded in the last decade in developing their manufacturing capacity and diversifying their economies. In 1980 Third World countries supplied somewhat under 10 per cent of the world's trade in manufactured goods. Today this proportion is over 15 per cent, roughly equivalent in total to the manufactured exports of either Japan or West Germany. Two-thirds come from just six countries — Brazil, Mexico and the four "little dragons" of the Far East — Taiwan, South Korea, Singapore and Hong Kong, in that order. What can they expect to be the effect on their manufactured exports of the European single market? At the present moment, each of the Community members has different quota agreements for imports of textiles, clothing, footwear, steel and other manufactured goods from Third World countries and other quantitative restrictions on imports of cars, motor cycles, sewing machines, radios and TVs, which apply to Japan as well as to Third World suppliers. Third World exporters fully expect that there will be a levelling up and not a levelling down of the twelve countries' individual barriers. This is likely to be an immediate demand from companies in the EEC which feel threatened by the lowering of internal barriers, that external defences should be strengthened in "fortress Europe". There has been a rash of anti-dumping actions taken by European countries recently covering not only imports from Japan, mainly of electronic products, but also imports from other Far East suppliers and Brazil.

Most trade today moves inside the giant transnational companies and the greater part of the goods manufactured in Third World countries for export is produced either in plants belonging to transnationals or under subcontract to them. Where the transnationals are European companies, this could mean that the single market would have little or no effect on manufactured imports into Europe from the Third World. While most production in Singapore and Taiwan and Mexico and Brazil is in the hands of transnationals, and this is true also of the free trade zones in Manila and Greater Colombo, local capital is involved in South Korea and Hong Kong, in India and of course in China, but also to some extent in Brazil. The manufactured exports from these countries could be seriously hit by the single market in Europe. The fear of such effects has already led to companies from these countries as well as from Japan looking for investment opportunities for production in Europe itself. Several South Korean electronics companies are already assembling TVs and radios in Europe from parts manufactured in Korea. Other Korean companies are producing domestic appliances and clothing in Northern Ireland. Brazilian companies are setting up in Portugal, using Brazilian inputs and then selling throughout the EEC. None of this goes very far to offset the losses in trade already suffered by Third World countries as a result of the debt crisis and protectionist measures that make debt repayment increasingly difficult. These difficulties also have important implications for Europe. It has been estimated by UNCTAD that falling imports by the Third World cost the First World some three million jobs between 1981 and 1984.

Industry Prospects in a single Market

The advantages claimed for a single market in Europe, freed from all restrictions, all follow from the economists' Law of Comparative Advantage. Every country and every company, the law says, should concentrate on producing what they are best at. In this way output from existing resources will be optimised. The disadvantages that are likely to arise follow from the same law, in that the benefits of optimisation are not shared equally among the parties to the bargain. Some companies, some regions, some whole countries may benefit more; some less than others. Capital may benefit at the expense of labour. Much will depend on the existing distribution of industries, since some industries will benefit more than others from elimination of non-tariff barriers and the economies of scale that this permits. But what must be obvious everywhere is that the larger companies, especially the already transnational companies will benefit at the expense of the smaller. Sir John Harvey-Jones, former chairman of ICI, stated at a recent *Financial Times* conference that in the next ten years he expects "more than half of Europe's factories will close and half its companies will disappear or be absorbed by mergers". To the workers it matters a great deal which half they now work for.

The impact of the single market in Europe on different companies, industries and regions will depend on four main factors:

1. the size of the companies and prospect of mergers;
2. the current level of non-tariff barriers affecting each industry;
3. the potential for economies of scale in a larger market;
4. average levels of productivity of companies and industries.

When all these factors are applied to any region or country some estimate can be made of the benefits that may be expected to accrue to them from the single market or alternatively the damage that may befall.

Taking first the criterion of company size, the UK has seven companies in the top 25 European companies, as measured by annual turnover; another four in the next 25 and altogether 29 in the top 100. West Germany has nine in the top 25 and France has five. But there are some important differences in the industrial sectors which these giants dominate. The UK has only three companies in the top 25 manufacturers, while West Germany has nine and France five. One of Britain's three is GEC, which is seeking allies in Europe to strengthen its position. Another is British Aerospace, which only qualifies for its position since it took over the Rover motor car group. The third is already a European company, the British-Dutch Unilever. The other big British companies are the two giant oil companies, Royal Dutch/Shell and BP, ICI and BAT, Hanson and Grand Metropolitan and the privatised or to be privatised one-time state industries — Electricity, Gas, Telecom, Coal, Steel and Airways and the stores — Sainsburys, Marks & Spencer and Tesco plus Allied-Lyons and BTR. All the top manufacturing companies and the oil companies employ more people overseas than they do in Europe; and it is an important point that these giant transnationals will think of themselves more as world-wide operators than as particularly European. But the dominant position of large companies in Europe is certain to become greater.

Taking the second criterion, the main incidence of high non-tariff barriers is national public purchasing policy. This particularly affects purchases by nationalised industries like mining and steel, railways and shipbuilding, medical services' purchases of equipment and pharmaceuticals, but all government offices make large purchases of vehicles, office equipment, telecommunications, computers, etc, and may give preference at present to local suppliers. In fact, in these last categories it appears that the high non-tariff barriers have not affected market penetration, at least in the UK where penetration is quite high despite the high barriers. Usually, it can be assumed that where non-tariff barriers are low, then the effect of the single market will not be great, but where they are high only industries which are the most technologically advanced and advancing in any country will survive their lowering.

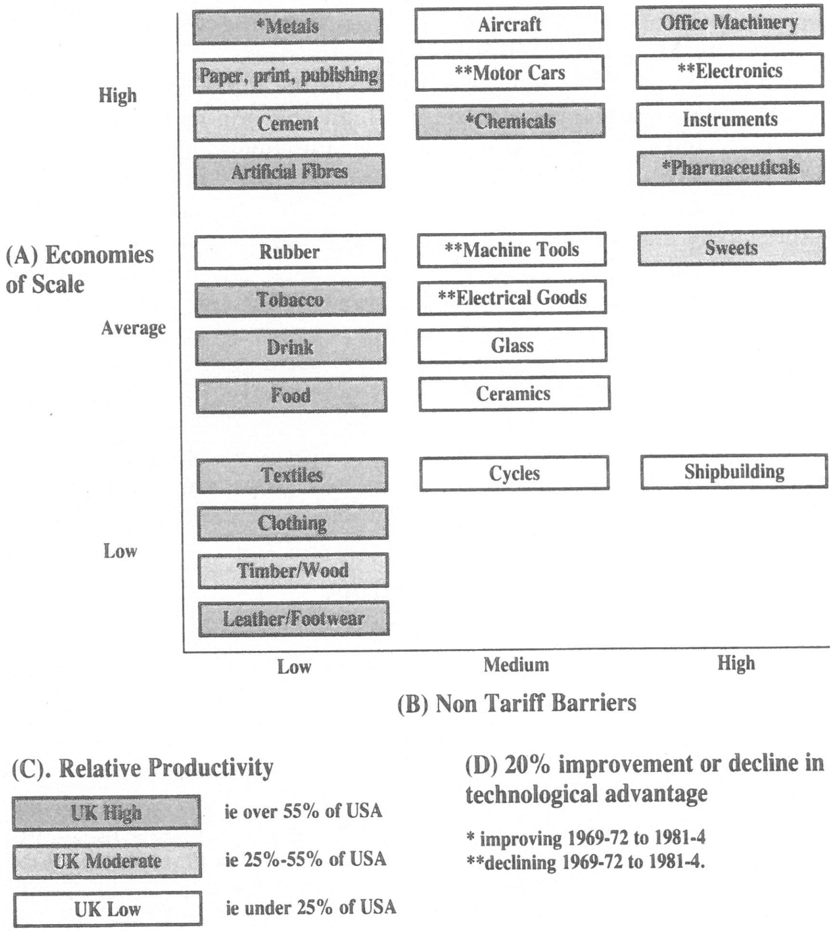
The third criterion is scale economies. The opening up of the single market in Europe will be of most advantage to those industries where there are major benefits to be derived from economies of scale. Many modern industries fall into this category, because of the high capital cost of production plant and the advantages derived from full capacity working and integrated production facilities. Where possibilities of economies of scale are combined with high non-tariff barriers, it is evident that great advantages will be available to those companies, regions and countries that can expand output to exploit these advantages. Those that cannot will fall by the wayside. This leads us to the fourth criterion — levels of productivity. The best measures of the ability to exploit such advantages are the existing level of labour productivity (output per person) in any country's firms or industries and a record of improving such relative technological advance.

All four criteria are combined together in the following Table to show the relative position of British industries:

Vulnerability of different industries to the opening up of a single European market by 1992

in terms of

(A) Economies of Scale made possible (European Commission)
(B) Present incidence of non-tariff barriers (European Commission)
(C) An indication of British industries' competitiveness measured by relative productivity with US industries (European Commission)
(D) Relative technological improvement (Patel & Paritt NIER Nov. 87)



The least vulnerable industries will be in the bottom left-hand corner, where both economies of scale and non-tariff barriers are low. They will also be industries where high productivity can gain little advantage from the lowering of barriers. This is unfortunate for Britain because several of Britain's industries where productivity is relatively high are in this position — Textiles, Clothing and Footwear — and three other industries with similarly high relative productivity — Drink, Food and Tobacco — are close to them and the last two have been improving their advantage. It is particularly unfortunate that eight out of ten industries where British firms have some relative productivity advantage are among those where non-tariff barriers are already low and there will be little advantage from the opening up of the market, despite the opportunities of scale economies that are open to the two others in these eight — the Metals and Artificial Fibres industries.

The most vulnerable industries will be at the top right corner of the Table, where economies of scale are high and non-tariff barriers are also high, and where productivity levels in any country are relatively low as they are in Britain's industries in this position. British Pharmaceuticals may certainly hope to benefit, because of their high productivity and improving position, but Electronics and Instruments look vulnerable, and Office Machinery only slightly less so. In the middle column where only Chemicals shows a high and improving level of productivity, the rest with low relative productivity levels may regard themselves as fortunate that the non-tariff barriers that will be coming down are only moderately high. This is particularly true for the Motor Car, Machine Tools and Electrical Goods industries, whose already low productivity levels have been declining. Altogether, the prospects for British industries in the single market in Europe after 1992 do not appear to be rosy. What are the implications?

Prospects for Employment in Europe

There are at present some 17 million unemployed people in the European Community. The official Community Commission report, the Cecchini Report, looks for 1.8 million more jobs in the middle term as the result of the opening up of the market and with accompanying reflationary measures this might rise to 5.7 million. But, in the short run there could be half a million job losses. All this must seem rather small change from such a mammoth upheaval, in the light of the actual existing unemployment problem. The real change seems likely to be in the structure of companies, large companies' employment replacing jobs lost in smaller companies and the shift of jobs from the periphery to the centre. Jobs overall are likely to be lost in these processes.

We have already noted the chairman of ICI's expectation of the halving of company numbers in the next decade. A survey of 150 British companies by the firm of accountants, Peat, Marwick & McLintock showed that about two-thirds of them were considering mergers or partnerships to deal with the single market. But the moves in employment opportunities seem likely to be cross country as much as between firms. New definitions are appearing of centre and periphery. Even with the opening of the Channel Tunnel, the periphery in the British Isles seems now to be drawn north of a line that runs from the Severn to the Wash thus excluding the whole of Scotland, Wales and the North of England. New investment in Europe has been concentrated in the last few years around the mouth of the Rhine, and there seems to be no reason to suppose that this tendency will not grow.

Much is being made by the British government of the opportunities for the growth of service industries, and especially of financial services in the new single European market. One is bound to retain some scepticism concerning such claims in view of the doubts that exist about reducing interest rates and the possibility of Britain holding down interest rates for any length of time to the level of those in the rest of Europe. Only Spanish and Greek interest rates are regularly above Britain's. Italian interest rates run at the same levels as British and these are usually double those in Holland, Germany and Switzerland and at least 50 per cent above those in France, Belgium, Denmark, Norway and Sweden. As a result, while it appears that credit cards and mortgages are cheaper in Britain than elsewhere, this is only when their cost is measured as an excess of interest rate over the money market rate. Consumer credit, commercial loans and private equity transactions are all more expensive in Britain than anywhere else in Europe. In insurance services, while life insurance and motor insurance are the cheapest in Europe, home insurance is the most expensive. It is only in the case of Spain that really large price falls could result from opening the market for financial services, according to the estimates made in the Cecchini Report.

The research that went into producing the Cecchini Report showed that in relation to transborder business services the "costs of Europe's regulatory diversity . . . runs into tens of billions of ECUs". These include differing accounting standards and tax laws especially in relation to transfer prices inside large companies (such that one respondent averred that "a company *had* to be in an illegal situation somewhere", if it operated in Europe). Other barriers to trade in business services were shown to be different technical standards in engineering, different professional qualifications, government bias in procurement especially in research and development and computing services, differences in advertising law and media time in commercial communications, absence of freedom to practice in legal services. Nonetheless, Saatchi & Saatchi have established themselves as Europe's No.1 advertising and PR group. Success in this field is likely to go to those countries, especially West Germany, which have the longest period of education for their people, including continuing education after employment. In this respect the Thatcher government's introduction of a national education curriculum and its attempts to make education more business-oriented have done nothing to increase the length of provision; and the cuts in government funding for universities, research institutes and training boards can only have worsened the position. A series of articles in the *National Institute Economic Review* comparing vocational education in Britain, Japan, France and West Germany has shown just how far Britain lags behind the others. Government plans for training look totally inadequate for making up the lag.

Capital Restructuring and Labour's Response

What we have been witnessing in preparation for the opening up of the market in Europe in 1992 is a massive restructuring of capital around a small number of very large firms concentrated in the central regions of the European community. What is Labour's response? This has to take account not only of the employment implications of this restructuring, especially in the peripheral regions, but also of the inevitable tendency to a levelling down of defensive barriers which workers have erected in their own national markets to protect their health and safety and conditions of work and livelihood. Transnational companies have become adept at bidding down these barriers as a condition for continued investment and employment in any location. The single Europe Act gives them virtually a *carte blanche* to dismantle all remaining national barriers. With all their national defences down, European Labour is now in the same boat. There can be no alternative to learning to pull together. What, then, does this mean in terms, first, of their response to the rationalisation and restructuring of capital and, second, of the common objectives they could be striving for in the "social dialogue" between trade unions and employers' organisations which Mr Delors has been calling for in order to build what he calls "a platform of social rights based on a European Social Charter"?

1. Company Law and Worker's Representation

The European Commission has prepared a number of Directives for the Council of Ministers to decide on with a view to harmonising company law. It will be recalled that Directives are binding decisions, but they leave member governments free to implement them in their own way. It will also be recalled that decisions on alignment of laws can now be taken by qualified majority voting, so that the veto which has been exercised in the past by the British Government in relation to Directives on company law will be removed. The main Directives involved are the following:

— the draft Fifth Directive: this requires one-third of board members of companies over a certain size to be selected by employees; more of this below. It may still be subject to the unanimity rule.
— the draft Tenth Directive: this is still under discussion, but its aim is to give to the Commission powers to determine whether Crossborder Mergers are liable to damage effective competition. The question at issue is how this can be related to national merger and monopoly policy.
— the Directive on Take-over Bids has already been agreed and is due to be adopted in 1989; this lays down procedures and permissible grounds for take-over bids, which have doubled in number in the last three years.
— a European company statute: this would allow companies to set up under European law or to remain under national laws, which would tend therefore to become harmonised. Such a statute would be likely to reduce the number and contesting of take-over bids.
— harmonisation of company taxation. This may still be subject to the unanimity rule. As well as the wide diversity in VAT and other indirect tax rates, especially on tobacco and alcohol, there are great differences in rates and methods of company taxation. A simple scheme using consolidated group results is proposed; tax receipts would then be distributed according to the national locations of the company.
— a Framework Directive for Health and Safety and five "daughter" Directives on Safety and Health requirements. Details of these are indicated below (pp.19-20).

Health and Safety is in fact the only aspect of the conditions of work, to which the Commission has referred in its exposition of the conditions for opening up the single market in Europe. When Mr Delors spoke to the 1988 Congress of the European Trade Union Confederation and again when speaking to the TUC later in the year, he expressed his disappointment at the slow progress achieved in the social dialogue between trade unions and employers' organisations at the European level, both general level and sectoral. The TUC and the ETUC have been pressing for comprehensive coverage of industrial sectors by Joint Committees composed of employers' and trade union representatives and convened by the Commission to discuss sectoral strategies. There are already such Joint Committees for the following sectors — coal and steel, agriculture, sea fishing, road transport, rail transport, maritime transport — and a Commitee for civil aviation is under discussion. The

Commission has also facilitated joint meetings for metal working, textiles, sugar and brewing, construction, banking and the retail trade.

Such a network of Joint Employer-Union committees implies the creation of trade union industry committees. Thirteen of these have so far been recognised by the ETUC, covering the following industries: metal-working, agriculture, PTTI, clerical, professional and technical workers, food and catering, transport, public service, education, building and woodworkers, graphical and textiles, clothing and leather. There are also Committees which have not been recognised by the ETUC — for chemicals, for actors, for musicians, for audio-visual workers: the ETUC has established its own Energy Committee, in which interested unions can take part, as well as the Liaison Committee of miners and metal workers which is restricted to unions dealing with the Coal and Steel Community.

All these developments imply a steady move towards industrial relations being conducted on a Europe-wide basis, not only inside industries but inside large companies. This has often been resisted by the transnational companies in the past, but the logic of the single market must inevitably move them in this direction. In this movement the companies are likely to be much better prepared than the Unions. Many companies already have permanent representatives in Brussels and meet together with their opposite numbers in the same industrial sector to orchestrate their lobbying of the Commission. Most of Europe's trade unions are represented at Brussels through the ETUC, but several communist-led Unions remain outside — the French CGT by its own decision, the Spanish Comisiones by exclusion. The international trade groups covering metal workers, chemical and general workers, mineworkers, transport workers, food and allied workers, electrical workers, petrol and chemical workers, clerical and technical workers and others are all linked to the International Confederation of Free Trade Unions which has offices in Brussels. The ICFTU is still estranged from the communist-led World Federation of Trade Unions, with its headquarters in Prague; and of the British trade unions only the NUM has any links with the WFTU through its membership of the International Miners Organisation, which was founded by Arthur Scargill in opposition to the Miners' International Federation, which is linked to the ICFTU.

These ideological divisions are probably less serious in obstructing a Europe-wide approach to industrial relations by the unions than are the purely practical difficulties. These include all of the following problems which would have to be overcome by the unions if they are to take a full part in negotiating with the employers on a Europe-wide basis and working with the joint industry committees:

—low and falling union density in many countries and industries and

lack of resources in money and personnel for frequent attendance at meetings in Brussels;
—lack of education on the central issues involved in the opening up of the single European market and of training in negotiation at this level;
—lack of language skills and of simultaneous translation facilities;
—lack of officers in each union specialised in European affairs;
—structural weaknesses in the unions, which make for difficulties in combining union policies on an industry and company level;
—above all, lack of any overall policy objectives in unions concerning the single European market which would enable them to co-operate effectively.

Some of the continental unions have gone a long way towards resolving the problems listed above, and it is fairly evident that the British trade unions are somewhat less advanced in their preparations for 1992. It has to be said, however, that the TUC's *Report on Europe 1992*, "Maximising the Benefits; Minimising the Costs" contains not only a good description of the Single Europe Act and analysis of its consequences, but a programme of Action for the TUC and the British unions, together with a valuable summary of the ETUC Priorities for Community Action. (This is attached as an Annex to this pamphlet.)

One British union, the MSF, the newly merged technical workers' union, has gone further and drawn up a checklist of demands which is printed below as it was summarised in *International Labour Reports* for January/February 1989.

The MSF 1992 Checklist

- bilateral links between unions with members working for the same transnational firm;
- work through international trade union bodies like the ETUC;
- improve international communications between unions making full use of computer technology;
- consultative joint committees within industrial sectors should be set up to bring together unions, consumer representatives, companies and the European Commission to promote the "social dialogue";
- language training should be made available for union nominees on international committees;
- six monthly consultative meetings with the management of firms operating in more than one EC country, including a statutory right to discuss all issues relating to the enterprise;
- legislation allowing "best practice" on industrial democracy to be activated by unions at company level;
- employee protection during take-overs and mergers including

statutory right to consultation;

- removal of legal obstacles to supportive union action. (While it is lawful for French or German workers to take action in support of British workers, it is illegal for British workers to take sympathetic action even in support of British colleagues);
- the European Community should pursue the ETUC's campaign for a "social clause" in GATT regulations to prevent transnationals diverting production and investment to countries with poor labour standards and/or repressive anti-union regimes.

In relation to the seventh point above about 'best practice' on industrial democracy, the Commission had proposed three alternative formulae for workers' participation in the management of a European company:

—a German system, in which workers are represented on management bodies;

—a Franco-Italian system of enterprise committees where workers' representatives come together, separately from management bodies;

—and a Swedish system where each company defines co-management rules through agreement negotiated with workers' representatives.

However, companies would not be enabled to opt for provisions circumventing a stricter national legislation already applying. No mention is made of the proposals of the Bullock Committee, which allowed for both a Workers' Representative Committee as in Italy and France, but also for representation of workers on management bodies in equal numbers with the employers representatives plus an outside Y factor, whose representative might be the Chairperson. It is also perhaps necessary to add to the 'checklist' quoted above the basic right of all workers, regardless of their legal position, to be covered by a collective agreement and to have a standard employment contract laying down insurance and pension rights and conditions for dismissal. These points are included in the Commission's Report on the "social dimension of the internal market", but will probably need nonetheless to be pressed for by the Unions.

2. The Social Market

Many of the issues which will arise in the 'social dialogue' which has been proposed by the Commission and endorsed so strongly by the Commission's chairman are the subject of normal industrial relations bargaining at its most comprehensive. But many of the social issues are matters that are normally settled by political argument and government legislation. The importance which they have for the European labour movement arises from the challenge which we have already seen could be made to national provisions of a social nature by the removal of differences in practice among the several European nations when the market is opened up after 1992.

There are three main areas where a strong challenge from Labour will be required in the "social dialogue", if the massive restructuring of capital which follows the opening up of the single European market is not to be wholly one-sided. The first, which is most frequently neglected in the analysis of the results of 1992, is that social provision to meet social needs will be overwhelmed in the battle of giant private suppliers to meet private needs. This is the part of the 1992 process that Mrs Thatcher approves of. No European country has moved so far along the road to privatisation of services as Britain has under the Thatcher regime. The increasing concentration of productive resources in the hands of giant competing centres of capital accumulation must inevitably mean concentration of production on the most profitable lines in goods and services. Equally inevitably, this must mean those lines where there is most possibility of innovation and sale to the more affluent half of the community. This means motor cars, washing machines and dish washers, television and videos at the expense of public transport, communal washing facilities, theatres, concert halls and galleries. In Britain it is not too much to speak of the more affluent "half" of the population. Only 55 per cent of households have access to a motor car, though a much larger proportion have a TV and washing machine. The implications for private health, education and social services are obvious.

The second area is the area of working conditions. There is an obvious danger, which we have already noted, of big companies bidding down conditions rather than these being levelled up to best practice in each country. The only social policies which the Commission has made pronouncements on so far have been on health and safety standards. Minimum requirements have been proposed for a law on safety, hygiene and health protection at work and the 'New Machinery' Directive is intended to lay down general "essential safety requirements" which is to cover both machines manufactured in the Community and those imported from outside. The most recent Commission proposal of a Framework Directive for Health and Safety and five "daughter" Directives are: on Workplace Safety, especially for new workplaces and alterations to old ones; on Use of Machines and Use of Personal Protective Equipment with minimum requirements and non-mandatory guidelines; on Visual Display Units, requiring information about all aspects of health and safety for operatives; on Heavy Loads Handling. Other Health and Safety initiatives from the Commission amounting in total to some thirty Directives being considered by the Commission or by the Council of Ministers cover bio-technology, Seveso type hazards, transport regulation, harmonisation of standards, air safety etc.

None of these directives is yet in force; and it would be most unwise to imagine that they will be passed into law without strong trade union pressure to combat the most powerful employers' resistance and government veto, where this can be used and where not the use of the power to choose the forms and methods of implementation which Directives allow for. The British Government has already been arguing that small businesses should be left outside the Health and Safety Directives and had such a qualifying clause inserted in the Single Market Act. The British Government Employment Minister, Mr Patrick Nicholls went further in a statement in June 1988, emphasising that "the government would do its utmost to avoid the imposition of measures which might put unnecessary burdens on industry" and urging employers to use their influence "so that harmonised standards are also shaped as far as possible to be compatible with existing British standards".

Where British standards are in fact better than those laid down, these could be worsened. For example, instead of dealing with Union health and safety representatives employers would be able to appoint their own safety representatives, if the Directive as currently drafted were to be accepted.

This illustrates the dangers of a levelling down of employment rights across Europe by employers using the pressure of competition for jobs to persuade the workforce in "best practice" countries to make concessions. Britain in fact now has weaker employment laws than most other countries and British workers have much poorer employment rights than workers in other countries. To take a few examples of "best practice" we can note that

—French workers have a national minimum wage both for adults and young workers;
—Danish workers have a legal right to five weeks paid holiday;
—some Italian workers have 150 hours paid educational leave;
—French employers have to obtain government authorisation for dismissals;
—West German workers in big companies have health services that go with the job;
—Belgian and Dutch employers have to give long periods of notice for dismissals;
—Italian workers can take one year's maternity leave with five months on 80 per cent of normal pay and fathers can take part;

Most European workers, moreover, unlike British workers have the following rights:

—a legal right to holidays;
—minimum wage protection for young people;

—the same rights for temporary and part-time workers as for permanent and full-time workers;
—no requirement of so many years work with an employer before they are eligible for maternity benefit.

Britain could well become a haven for what is now called "social dumping", but the advantages of levelling up will have to be fought for by joint action of trade unions.

The ETUC has drawn up a list of Priorities for Community Action, a summary of which is attached to this paper as an Annex. But the actual preparedness of European unions to take joint action appears to be extremely limited. There are, as we have indicated earlier, the trade groups, the ICFTU and its affiliates and there are meetings between shop stewards in different national units of transnational companies like Fords, Unilever and Kodak; but there have been all too many recent examples of employers being able to divide and conquer their separate national workforces. Ford workers, in Dagenham UK, declined the invitation to join European-wide discussions of wages and conditions with Ford of Europe because they said they were well satisfied with their national arrangements, only to find that they were passed by in the allocation of new investment by the company and had then no purchase on Ford workers in the rest of Europe to defend them. French sailors failed to support British seamen in their struggle with P&O, only to find that they were the next to be picked on. The lessons of divide-and-conquer policies by European employers will have to be learned sooner or later by the national unions, and it will not be enough for the unions to rely on the Commission's protection, although women have won important advantages already from membership of the European Community, and this applies especially to British women.

There are four laws and a number of Directives which have already provided European support for women's rights, which women had failed to win at least in Britain. These are:
—the Equal Pay Directive of 1975, which was judged by the European Court to allow equal pay for equal work, and required the British government to amend the Equal Pay Act. British law still remains flawed in this respect and only action by the unions will correct this;
—the Equal Treatment Directive of 1976, which extended equality of access to promotion and to training and covered indirect as well as direct discrimination;
—the Occupational Social Security Directive which provides for equal treatment in occupational pensions and other benefits, so that discrimination on the basis of sex, marital status or family is banned;
—and the Social Security Directive which provides for equal treatment in state social security schemes, including unemployment and supplementary benefits.

A crucial point which the British Government has opposed is that all these rights should apply equally to part-time as well as to full-time women workers. Part-time workers make up the greater part of the female labour force in Britain. The Commission has also agreed to issue a code on maternity provision and legislation, so that it can be said that the Community is offering considerably more protection to women workers than they receive at least in Britain if not elsewhere in Europe. On other questions of discrimination in relation to race and to migrants, it appears that policies are to be left in the national domain, although the Commission has published draft proposals for combating racism and xenophobia.

The area of Social Security is an area that is mainly dealt with by government provision rather than by employee's rights that can be bargained about between unions and employers. There are in fact major differences throughout Europe in social security provision and social services generally. A harmonisation of all these provisions is regarded as an essential part of the single European market because of the implications for taxation of companies, both through indirect taxes on goods and through direct taxes on companies. Tax revenues in total as a proportion of gross national product vary from 33 per cent in Spain to 50 per cent in Denmark, with the UK along with West Germany in a middle position having a tax revenue amounting to some 40 per cent of GDP. Incomes' and profits' taxes vary more widely — from 5 per cent in Greece and France, 15 per cent in the UK to nearly 30 per cent in Denmark, while society security contributions vary from 1 per cent of GDP in Denmark and 3 per cent in Britain and Eire to 20 per cent in Holland, France and Belgium.

The Commission has maintained that the various social security and industrial relations systems, as opposed to their tax base, are too diverse to be harmonised. But there are widely differing views on this question even among governments and employers. The House of Lords Select Committee on the European Communities concluded its report in 1987 with the following words: "The significant progress towards achieving a true economic community is in sharp contrast to the general lack of progress in social policy. In the absence of political will from the member states, social security has a low profile within the Commission". The Confederation of British Industries (CBI), however, in presenting its evidence to the House of Lords, maintained that the Commission should not involve itself in what the CBI called "social engineering". "An overall ratcheting upwards of social security benefits", the CBI averred, "would be dangerous and damaging to the European economy".

Conclusion

The TUC has drawn up a strategy for British trade unions to act on immediately in relation to the creation of a single European market and has indicated what the next steps should be. These may be listed in summarised form as the first part of a conclusion to this pamphlet.

1. Structural funds — Regional Development Fund, Social Fund and Agricultural Fund — must be increased to help less favoured and peripheral areas. (These are likely to include all of Britain north of a line drawn from the Severn to the Wash; but most of the money is destined for Portugal, Greece, Eire and parts of Spain and Italy, where income is less than three-quarters of the Community average.)
2. Transfer of Undertaking Regulations — must be strengthened to protect workers from take-overs that are based on short-term profit taking;
3. Workers' Participation — increased opportunities for workers' involvement in decision making must include wider paid release rights for trade union education;
4. Public procurement tendering — must include social and labour clauses and protection of workers in areas of industrial decline;
5. Health and Safety — standards must not be lower than those already extant in individual countries;
6. Fiscal harmonisation — this must not be based on dogma, but on income distribution or health grounds;
7. Charter of Workers' Rights — such a charter must be pressed for by all trade unions along the lines of the ETUC priorities (published as an annex to this pamphlet);
8. Parliamentary control — democratic control must be strengthened to offset the transfer of national powers to the Council and Commission;
9. Trade union representation — a survey is needed of trade union coverage of the main European companies;
10. Trade union awareness — information and publication concerning the facts and implications of 1992 must be stepped up in each national trade union centre — including information for migrant workers;
11. Trade union organisation — all unions should appoint a full-time officer with specific responsibility for European affairs;
12. Workers' education and training — funding should be sought from the Commission for training and information for trade unionists involved in European developments, including language training and simultaneous translation facilities.

There is no doubt that the plans for a Single European Market by

1992 has created a new sense of purpose in the European Community and that this has been taken enthusiastically by the larger companies, which see great opportunities in its realisation. It has also aroused great interest in peripheral regions, not only along the Mediterranean coast, but also in the North of England, Wales, Scotland and Ireland. Nationalist groupings have begun to see in the European Community both a source of funds and some independence from the centralist tendencies in London. They are probably over-optimistic about the funds (even if these are raised from the current $8 billions to double that sum by 1993, as is proposed, this should be compared with the protection of agriculture which currently costs some $30 billions, including storage of surpluses). The freedom to manoeuvre around Thatcherite policies that the European Community offers may still appear attractive. The big question that this pamphlet is addressing concerns the response of European Labour.

A whole range of demands from British trade unions, from the TUC and European Unions has been reviewed already in this pamphlet. The Priorities for Community Action as presented by the ETUC are listed in the Annex below. A great question mark still remains concerning the will to press these forward, not just singly from each trade union centre, but jointly from every forum of European Labour that can be made use of to gather together the voices of labour. The Commission's Working Paper on the Social Dimension, prepared by the then Social Affairs Commissioner, Manuel Marin, in September 1988, dismissed the strongly expressed union fears of "social dumping" as "totally unfounded". The paper did, however, recommend a policy of harmonisation *upwards* of key working conditions and insisted that "any reform in this area requires a broad measure of agreement between the two sides of industry beforehand". The door is open for bargaining; it is the will to enter that appears to be lacking.

The danger must become increasingly clear to every part of the European labour movement, whether they are favourably or unfavourably placed in relation to the development of the single market, that they are all in danger of being picked off one by one. If they do not stand together and press for common agreed positive policies, they are not only in danger of virtual destruction but are missing a great opportunity to advance the cause of Labour. The trade union movement throughout the world has suffered very heavy blows in the last decade both from the effects of high levels of unemployment and from the repressive policies of right-wing governments, not least in Europe.

It is not at all inevitable that, because capital is now international that labour should follow suit. Labour's response to the restructuring of capital requires conscious common action and imaginative proposals for turning the new technology to the advantage of working people and their families; and this will need public ownership and co-operative enterprise as well as private; social provision of public services as well as individual sale of private goods. Otherwise, we could well witness between now and the end of the century the emergence of a "Brave New World" of automated factories, authoritarian controllers of all the means of production, distribution and communication, a wealthy elite of managers and privileged workers and a steady continuation of the widening gap between their conditions and those of the great mass of the people assigned to casual and part-time employment or to the ranks of the unemployed. Such a scenario would imply not only economic instability but political disorder, from which no good outcome could be expected. Action has to be taken urgently if such an eventuality is to be averted.

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In the writing of this pamphlet the following papers and publications have been drawn on often without formal acknowledgement. Listing them here gives me the opportunity to acknowledge my indebtedness to their authors, most of whom remain anonymous. *M.B.B.*

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ANNEX

ETUC PRIORITIES FOR COMMUNITY ACTION

Freedom of movement of persons

— Recognition of vocational qualifications (vocational training pass).
— Status of frontier workers and simplification of administrative procedures for migrant workers.
— Simplification of the rules for transferring social insurance entitlements from several Member States — measures to speed up payments.
— Abolition of discrimination of workers' incomes from several Member States in the taxation field.
— The right to vote in local elections for the citizens of a Community Member State residing in any other Member State.
— The right to initial and further training.
— Establishment of European educational leave.

Freedom of movement of goods

— Creation of a tripartite standardisation body.
— Framework Directive on safety and health at the workplace.
— Technical Directives laying down the instruments of worker protection and limit values for dangerous substances.
— Directive on consumer goods safety and measures to protect consumers against dangerous substances.

Economic democracy

— Framework Directive on information, consultation and negotiation on the conduct of companies in the Common Market.
— Participation rights for workers in the context of the harmonisation of company law (Fifth Directive/Statutes of the European Company).
— Protection of *all* acquired rights and agreements concluded, irrespective of the legal form of European co-operation of enterprise.
— Directive on European social reporting.
— Implementation of fundamental trade union rights and extension to all companies in the common market (trade union freedom, right of assembly, protection of trade union representatives, recognition of European bargaining delegations).

Industrial integration

—Environmental protection directives (Polluter Pays Principle, Prevention Principle, cross-frontier rights of appeal).
—Directives in the sectoral development field (integration of industrial and social measures).
—Directives controlling competition and preventing the formation of monopolies.

Social cohesion

—Framework directives on working time and work organisation (maximum weekly/annual working time, minimum rest periods, overtime, nightwork, shiftwork).
—Extension and full enforcement of the directives on equal opportunities for men and women.
—Directive on parental leave.
—Framework directives incorporating all forms of work into social legislation and social insurance schemes.
—Workers' rights regarding engagement and dismissal (further development of the directive on mass dismissals).
—Minimum rights for all regarding access to health services and public institutions.
—Minimum rights providing every citizen with a guaranteed subsistence (especially in the event of unemployment and in old age).

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