**EXERCISE 4 CORRECTION European Policies and Business**

*Read the text entitled “European Policies and Business” and address the ensuing*

*comprehension and vocabulary exercises.*

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The European Union has economic policies which are designed to help businesses within

member countries. These policies vary from employee protection and consumer protection to transport and energy policies.

***The Common Agricultural Policy (CAP)***

This policy was implemented in all EU countries and accounted for approximately half of the

EU’s £60 billion budget in 2003. Article 39 of the Treaty of Rome stated 5 objectives of

agricultural policy:

- To increase the productivity of agriculture

- To ensure a fair standard of living for farmers

- To stabilize markets

- To guarantee supplies

- To ensure fair prices



For farmers, the CAP guarantees them a price for their produce so that they are not at the

mercy of fluctuations in price.

The CAP has a number of problems associated with it:

- Overproduction

- High prices

- Purchasing excess supplies of agricultural product is expensive for the EU

- The EU cannot use all its agricultural products, so it sells them cheaply to developing

countries

- 70% of CAP’s funds go to only 20% of Europe’s farms.

Attempts have been made to reform the CAP. In order to prevent over production farmers are now paid to ‘set aside’ land and to leave it fallow.

***The Social Charter***

The Maastricht Treaty was signed in December 1992. It changed the name of the European

Economic Community to simply “the European Community”. One section of this Treaty is

the Social Chapter. Its aim is to standardize working conditions throughout the EU so that all

workers within the community are guaranteed basic rights. These include the following:

- A minimum wage to be paid to all workers

- A maximum working week

- A minimum paid holiday per year

- The freedom to join a union

- Access to appropriate training

- The right to be consulted and informed about company plans

- The protection of young workers.

The UK initially opted out of the Social Chapter, when all other EU nations signed it.

However, the UK signed up after the election of a Labour government in 1997.

***The Single European currency***

European Monetary Union (EMU) became a reality in 1999. At the time, some of the member states of the EU signed up to the Single European Currency, known as the Euro. The UK was

not one of them, preferring to leave a decision about whether to join at a later date.

On January, 1st 2002, actual Euro notes and coins were introduced in twelve of the fifteen

member states at the time. The UK, Denmark and Sweden continued with their own

currencies.

In order to manage the single currency a European Central Bank (ECB), based in Frankfurt,

was established. Amongst other things, the ECB is responsible for setting interest rates

throughout the participating countries.

EMU is supposed to have a number of benefits for business within the Euro zone:

- A reduction in transaction costs

- A reduction in uncertainty

- Transparent prices

- Merger activity

- Costs

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1) **Comprehension**

*Answer the questions below:*

- What are the main goals of European policies in terms of business? Nowadays, EU

trade policies aim at playing a key role in keeping markets open worldwide and

helping Europe to exit the economic crisis and ensure continuous prosperity. Policies

are based on the idea of a common market which guarantees the free movement of

goods within the EU. The European Commission negotiates trade agreements with

outside countries. The European Union also has a number of funding programs and

awards subsidies.

- In the cartoon, who is Agman? Agman is the embodiment of the Common

Agricultural Policy. The name comes from the names of other Superheroes

(Superman, Spiderman…) and “Ag” is short for “agriculture”.

- What is the meaning of the phrase “Social charter”? A charter is a document defining

the formal organization of a state or corporate body. The word “social” relates to

matters affecting human welfare (“social programs”). The “social charter” is a

declaration of rights, minimum wages, maximum hours etc. of workers within the

European Union.

- Do all members of the European Union use the Euro? Why or why not? No. There are

some advantages to the Euro: (reduction in transaction costs, reduction of uncertainty,

transparent prices, costs…) but according to some, there are also drawbacks. EU

nations are diverse in culture, climate, population, and economy. Nations have

different financial needs and challenges to address. The common currency imposes a

system of central monetary policy applied uniformly. The problem, however, is what’s

good for the economy of one eurozone nation may not always be for another. Most EU

nations that have avoided the eurozone do so to maintain economic independence

(independence in drafting monetary policies, independence in handling countryspecific

challenges, independence in inflation-controlling measures, and for currency

devaluation…). (source: Investopedia)

*a) Define the following terms:*

Market: A market is a medium that allows buyers and sellers of a specific good or service to

interact in order to facilitate an exchange. This type of market may either be a physical

marketplace where people come together to exchange goods and services in person, as in a

bazaar or shopping center, or a virtual market wherein buyers and sellers do not interact, as in an online market.

Merger: a deal to unite two existing companies into one new company.

Overproduction: excessive production

Policies: 1.Politics: (1) The basic principles by which a government is guided.

(2) The declared objectives that a government or party seeks to achieve and preserve in the

interest of national community. See also public policy.

2.Insurance: The formal contract issued by an insurer that contains terms and conditions of the insurance cover and serves as its legal evidence.

3.Management: The set of basic principles and associated guidelines, formulated and enforced by the governing body of an organization, to direct and limit its actions in pursuit of long-term goals. See also corporate policy.

Training: Organized activity aimed at imparting information and/or instructions to improve

the recipient's performance or to help him or her attain a required level of knowledge or skill.

Transaction costs: A fee charged by a financial intermediary such as a bank, broker, or

underwriter.

Union: A group of workers joined together in a specific type of organization for the purpose

of improving their working conditions as well as to help in promoting the common interests of the group.

Wage: Monetary remuneration computed on hourly, daily, weekly, or piece work basis. A

fixed weekly or monthly wage is usually called a salary.

***Sources des définitions : Investopedia.com et businessdictionary.com***

*b) Find synonyms for the following words or expressions in the text:*

- To put into practice or effect, to carry out: to implement

- Fresh fruits and vegetables grown for the market: produce

- Plowed but left unseeded during a growing season : fallow

- To leave out of account, to neglect: to set aside

- To agree to be a participant or recipient by signing one's name; to enlist: to sign up