

euroforum

europa day by day

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"Industry and Society" becomes
"EUROFORUM - EUROPE DAY BY DAY"

Before long citizens of the nine countries forming the European Community will be receiving papers entitling them to vote in direct elections to the European Parliament. Election day will be a major milestone on the road to a United Europe.

But how does this new Europe, this 250-million strong Community which is gradually taking shape, affect the man-in-the-street? It can be difficult to see beyond the technicalities and grasp the real significance of what is being done in Brussels.

In the months ahead this bulletin, under its new name, will endeavour to help the man-in-the-street by providing concise, up-to-date information on Community activities, the implications for today and the hopes for tomorrow.

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Commission of the European Communities
Directorate General of Information
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The information published in this bulletin covers, very freely, different aspects of the European Communities' activity. It is, therefore, not limited to recording official Commission decisions or opinions.

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** The latest EURO-BAROMETER shows that the decisions adopted by Community Heads of State or Government at their meeting in Rome on 1 and 2 December 1975 are a close reflection of public opinion.

ANNEX 1 gives some of the more interesting facts to emerge from this six-monthly opinion poll.

** December 1973 marked the outbreak of the oil crisis. The European Commission's enquiry into the BEHAVIOUR OF THE OIL COMPANIES during this crisis, announced at the beginning of the winter of 1973-74, is the first of its kind and has taken almost two years to complete.

Some of the major findings are given in ANNEX 2.

** The turnover of MAIL-ORDER FIRMS in the Community has been increasing by an average of 15% per year since 1973.

ANNEX 3 explains why there has not been an even greater boom in this business which sells to the customer in his own home.

** Adoption by the Community's Council of Ministers of the European Commission's proposal that producer prices in agriculture be increased by approximately 7.5% for the 1976/77 marketing year should only mean a 0.6% rise in CONSUMER PRICES. The 7.5% increase makes allowances for the income requirements of modern farms - sample farms were observed and their input costs recorded over a period of 36 months - and for differing economic and monetary developments within the Community.

** The Instituto Brasileiro do Café (IBC) has changed its marketing policy in the EEC at the request of the European Commission. A Commission enquiry had established that IBC was prohibiting the exportation of unroasted BRAZILIAN COFFEE outside Italy and France and restricting consumption of roasted coffee to these two markets. The Commission also found that preferential sales agreements between IBC and numerous coffee-roasting firms in the Community discriminated between competitors and, in some respects, restricted trade. Following representations from the European Commission, IBC has now granted access to its warehouse in Trieste to all EEC traders and has done away with preferential agreements. The IBC's new marketing policy makes for greater competition and Community consumers can only benefit. The Community is the world's second-largest importer of coffee and imports some 30% of its requirements from Brazil.

** The last meeting of the Community's Council of Ministers in 1975 was devoted to social affairs. It approved the directive implementing the principle of EQUAL TREATMENT for men and women workers as regards access to employment, vocational training and working conditions. The directive provides for the abolition of discriminatory practices persisting under collective agreements, individual contracts of employment, staff regulations or rules governing independent professions. Legal action may be taken where

the right to equal treatment is not respected and member governments will be required to take steps to ensure that workers taking legal action are not dismissed as a result. Governments must also ensure that all provisions for equal treatment are brought to the attention of employees.

At the same meeting, the Council of Ministers approved an action programme for MIGRANT WORKERS and their families. To ensure complete parity with national workers, migrants are to be encouraged to make use of the social services available to nationals. In the area of family welfare priority is to be given to housing, medical and social care schemes including preventive medicine, schooling and campaigns to inform the general public in the host country. The Council of Ministers also urged joint action to combat illegal immigration. It feels that migrant workers themselves are the first to suffer from trafficking and associated abuses.

** The European Commission has just imposed a fine on United Brands for abusing its dominant position on the BANANA MARKET. A Commission enquiry into United Brands' activities revealed that it had prohibited its distributors and ripeners from reselling green bananas; this effectively prevented them from reselling at all since bananas are so perishable that only green ones can be sold to medium- or long-distance customers. The Commission also found that United Brands charged its customers different prices depending on the Community country in which they operated; prices invoiced by United Brands in Bremerhaven and Rotterdam for identical orders varied by as much as 100%. Finally, it was established that United Brands had refused for two years to supply Chiquita bananas to a leading Danish buyer. The European Commission has now ordered United Brands to cut its prices in Germany, Denmark and the Benelux countries to a level at least 15% below the prices currently charged in Germany. United Brands has also been instructed to keep the Commission informed over the next two years of prices actually charged in these countries.

** The 10% INCREASE IN OIL PRICES could cost the Community 2 100 million dollars in the first six months of 1976. According to the European Commission, this figure would be broken down as follows between the Member States (in '000 million dollars - seasonally adjusted figures):

Germany	0.5
France	0.5
Italy	0.4
United Kingdom	0.4
Netherlands	0.1
Belgium/Luxembourg	0.1
Denmark	0.1
Ireland	0.02

** Only 1% of national R&D budgets are allocated to COMMUNITY RESEARCH. This figure was quoted by Mr Brunner, Member of the European Commission with special responsibility for

scientific policy, at a recent meeting of the Community's Council of Ministers devoted to research and development. Ministers discussed a communication presented by the European Commission on the objectives, priorities and resources for a common research and development policy. The multiannual programme of the Joint Research Centre (JRC), scheduled to commence in 1977, was also discussed during a policy debate which provided a number of pointers for proposals to be drawn up by the Commission in 1976.

** We are well aware of the widespread pressures due to inflation, unemployment, energy costs and a host of other problems, but we are determined that THE CAUSE OF THE CONSUMER WILL NOT SUFFER AS A RESULT. This was one of the promises made by Mr Scarascia Mugnozza, Vice-President of the European Commission, in a recent address to the Swiss European Union.

** At their third meeting education ministers of the Nine adopted a COMMUNITY ACTION PROGRAMME IN THE FIELD OF EDUCATION. The main aim is to identify the areas in which joint action might be undertaken, but the programme also includes a series of direct measures for which initial responsibility will rest with the recently appointed Education Committee. Priority is to be given to two objectives, namely free movement and equal opportunity.

Free movement will continue to be theoretical until school children, students, teachers and research workers can settle where they wish. Provision is therefore made for a series of measures leading to the recognition of diplomas and periods of study and the introduction of a European school record card. In this connection particular importance is attached to language teaching. Equal opportunity is to be ensured by facilitating free access to all forms of education.

The situation of young people out of work - a third of the Community's five million unemployed fall into this category - will be given priority treatment by the Education Committee. It is to report to the Ministers by 1 July 1976 on what can be done to improve school-leavers' chances of finding employment. It has been asked in particular to investigate the feasibility of using continuous training techniques to provide young people in or out of employment with additional skills which will increase their chances of finding a job.

** Following an appeal lodged by 16 of the Community's major sugar companies in the SUGAR CASE, the Court of Justice of the European Communities has upheld most of the European Commission's objections. Only the Italian firms and the German firm Süddeutscher Zucker have been completely cleared. The Court of Justice found, however, that the Commission's fines were too severe and reduced the total from 9 to 1.59 million units of account (1 u.a. = approx. US \$1.3).

** The European Secretariat of the Confédération générale du Travail (CGT) has asked EUROFORUM to publish an extract from the statement made by Mr J. Galland, the CGT representative at the European Community's TRIPARTITE CONFERENCE held in Brussels on

18 November 1975 (see I&S No 41/75). The translation is by EUROFORUM and is obviously unofficial.

"The CGT feels that efforts to reflate the economy must concentrate in the first instance on developing the internal market. Wastage attributable to unused or misused physical, intellectual, industrial and agricultural resources must stop.

"This calls for serious negotiations at the highest level to maintain and improve the purchasing power of wages and salaries, to reduce working hours immediately without loss of earnings, to negotiate new retirement rights, to improve working conditions, to preserve and extend social welfare and insurance schemes, to reform taxation on a democratic basis and to reduce the rate of VAT applied to staple commodities."

EURO-BAROMETER No 4

The latest Euro-Barometer shows that the decisions adopted by the Heads of State or Government at the European Council meeting in Rome on 1 and 2 December 1975 are a close reflection of public opinion. Some 9 500 people aged 15 and over were interviewed in the opinion poll carried out a few weeks before the Rome "Summit". Replies show that seven out of ten are in favour of European citizenship as symbolized by a European passport while six out of ten voted for the election of a European Parliament by direct universal suffrage and for European political union by 1980. The common fight against rising prices easily heads the list of Community problems causing most public concern, with nature conservation and consumer protection tying for a poor second place. These problems have gained in importance since previous opinion polls (see I&S Nos 29/74, 1/75 and 28/75), as have the coordination of social policies in the matter of employment and the reduction of disparities between the regions.

European political union

In the autumn as in May 1975, six out of ten people throughout the Community were either "completely in favour" (23%) or "on the whole in favour" (36%) of European political union by 1980, with a European Government deciding major questions and a European Parliament exercising control. Two out of ten did not reply.

There is obviously enormous support for the idea. Excluding those who did not reply, 72.5% of opinions expressed supported European political union and the idea of a European Government and Parliament.

Almost eight out of ten were in favour in Italy (77%) and in Luxembourg (75%); slightly less than seven out of ten in Germany and France; five out of ten in the Netherlands, Belgium and Ireland. The British (34%) and the Danes (21%) were considerably less enthusiastic.

Compared with September 1973, replies in favour were up in Ireland (by 14 points), in Italy (by 12 points), in France (by 9 points), in the United Kingdom (by 8 points) and in Luxembourg (by 6 points). But with the exception of Italy this increase was largely, or even exclusively, confined to the less committed ("on the whole in favour") category. Replies in favour were down in Denmark and, to a lesser extent, in Belgium, the Netherlands and Germany. The number of "don't knows" increased sharply in Denmark, the Netherlands and Belgium, while in Italy and France the movement was in the opposite direction.

Election of a European Parliament by direct universal suffrage

The question of direct elections to the European Parliament has finally become highly topical.

More than six out of ten people interviewed were in favour of electing a European Parliament, two out of ten were against and two out of ten were "don't know".

Pattern of replies in favour of the election of a European Parliament

	In favour of the election of a European Parliament			Difference between Oct-Nov 1975 and Sept 1973
	Sept 1973	May 1975	Oct-Nov 1975	
France	51%	68%	69%	+ 18
Italy	64%	77%	78%	+ 14
Ireland	45%	55%	56%	+ 11
Luxembourg	67%	69%	75%	+ 8
United Kingdom	33%	41%	41%	+ 8
Germany	69%	76%	73%	(+ 4)
Belgium	52%	55%	53%	(+ 1)
Netherlands	62%	57%	59%	(- 3)
Denmark	36%	35%	32%	(- 4)

Since September 1973 numbers in favour of electing a European Parliament have increased in line with numbers in favour of European political union, although twice as fast (by 10 points as against 5 points). This is probably because direct elections are now getting considerable press coverage and are seen as a concrete and more immediate objective.

Should a Community citizen be able to vote and stand for election in a country other than his own? Opinions on these two issues are still divided:

Voting rights for resident citizens of other Community countries in elections to the European Parliament

	Approve	Disapprove	Don't know	Total
France	71%	17%	12%	100%
Italy	70%	11%	19%	100%
Ireland	66%	21%	13%	100%
Germany	57%	30%	13%	100%
Netherlands	53%	19%	28%	100%
Luxembourg	52%	34%	14%	100%
Belgium	51%	20%	29%	100%
United Kingdom	45%	42%	13%	100%
Denmark	35%	42%	23%	100%
Community ¹	59%	25%	16%	100%

Right of candidates from other Community countries to stand for election to the European Parliament

	Approve	Disapprove	Don't know	Total
Italy	53%	26%	21%	100%
Germany	44%	39%	17%	100%
France	43%	42%	15%	100%
Belgium	37%	32%	31%	100%
Luxembourg	35%	47%	18%	100%
Netherlands	33%	36%	31%	100%
Ireland	29%	60%	11%	100%
United Kingdom	21%	66%	13%	100%
Denmark	16%	59%	25%	100%
Community ¹	39%	43%	18%	100%

¹Weighted average.

THE OIL COMPANIES AND THE OIL CRISIS

December 1973 marked the outbreak of the oil crisis. Roads were deserted on Sundays; the oil-producing countries of the Persian Gulf were to meet in Teheran; and there were rumours that the posted price of crude oil, which had been 3.01 dollars per barrel three months earlier, would be increased to more than 11 dollars. On 21 December the European Commission announced its intention of investigating the oil sector. It was particularly concerned about the supply position of independent distributors and in a statement considered "that arrangements should be made to ensure that the present circumstances do not give rise to the elimination of independent trading or its absorption by the big companies".

Although the Commission's enquiry was confined to the period from October 1973 to March 1974, it took almost two years to complete because it became obvious very early on that nothing less than an in-depth analysis of the oil companies' role on the market would suffice. For this reason the Commission's final report begins by dealing at length with the structure of the oil industry in Europe, the development of the crisis and the relations between the oil companies and public authorities then turns to the effects of the crisis on supplies, prices and the position of independent distributors.

Outlining the report to the European Parliament Mr Borschette, Member of the European Commission, said that in the Community the main feature of the critical period from October 1973 to March 1974 was a fear of supplies running out rather than an actual shortage. Much of what happened during that period must therefore be seen as defensive and precautionary behaviour in face of an uncertain future.

A further point to emerge from the Commission's enquiry is that the role and market position of the oil companies were not significantly affected by the crisis. To check on their behaviour among themselves, oil companies' respective transfer prices for both crude oil and refined products were compared. This showed that all the oil companies had followed their own line. Although transfer prices for crude oil in particular differed very little from one another, they did reflect the different supply situations of the various companies and, indeed, the different price policies pursued. Some companies charge the same transfer prices to all their refining subsidiaries in the Community, while others vary them to take account of conditions on national markets. The European Commission's analysis of the various systems and levels of transfer prices failed to reveal any concerted practices among the oil companies.

During the crisis independent companies experienced such difficulties that their very existence was threatened in some cases. This was particularly true where the level of maximum prices prevented the independents from buying freely and squeezed their margins to excess.

Since the crisis many small and medium-sized firms engaged solely in distribution have tried either to cover themselves against a recurrence of the same difficulties or to sell out. The second solution has led to the buying up of a number of medium-sized firms by the big companies. Other firms have chosen to conclude long-term supply contracts with the refineries which give them a large degree of security but at the same time deprive them of free access to the market. The crisis has not fundamentally reduced the number of distributors (there are still some 60 000 wholesalers and retailers in the Community) but it has led to new relationships between the oil companies and a number of wholesalers. The European Commission discovered nothing in this development to indicate abuse by the oil companies of their collective dominant position.

The European Commission also examined cases of presumed abuse of an individual dominant position by certain companies in their treatment of independent dealers. It takes the view that, during the crisis, all the large oil companies were in an individual dominant position vis-à-vis their traditional customers who had no access to other suppliers and is still investigating one case following a complaint of refusal to sell. The enquiry also revealed the existence of specific market situations and price differences calling for closer investigation. This is true of both the kerosene and naphtha markets on which there are oligopolies of both suppliers and buyers.

The European Commission's enquiry has also served to highlight the extent to which our economies are dependent on the large international companies. Since oil became an essential source of energy, governments have been relying heavily on the experience, technical know-how and resources of these companies to ensure continuity of supply.

There is no doubt that the critical winter of 1973-74 demonstrated the effectiveness of these companies. Nor is there any doubt that these companies made a fundamental contribution to alleviating the repercussions of the tense market situation on our economies.

But it is impossible to ignore the link between their effectiveness and their economic power. The multinational companies are well in control not only of the world oil market but also of transport and refining facilities. What is more they have expanded into other sources of energy, such as natural gas and nuclear energy, and indeed into industries which are natural off-shoots of refining. The structure and power of these integrated groupings raise many problems, not least the problem of their relations with States. In this situation one cannot help wondering how the political power of the one can be used to counterbalance the economic power of the other.

When he spoke to the European Parliament Mr Borschette said that the Commission was convinced that the answer could only be found in a spirited dialogue between the European Community and the oil companies. The European Community should not be afraid, he added, to define the line of demarcation between its political role and the technical role which must obviously be reserved for the oil companies.

MAIL-ORDER SALES IN THE EUROPEAN COMMUNITY

The turnover of mail-order firms in the European Community has been increasing by an average of 15% per year since 1973. Soaring figures can be explained by the flexibility of the mail-order system, its ability to reach a widely-scattered clientèle and the growing range of products offered for sale.

The Germans and the British lead in the mail-order field. In Germany more than 130 specialist firms already account for 5% of total retail trade and this figure is expected to double between now and 1985. In the United Kingdom, where mail-order houses have long been part of the commercial scene, the annual growth-rate is 24% and total sales already represent 4.5% of total retail trade. In France mail-order sales have increased by 18% over the last 10 years. In Italy, where mail-order sales are relatively new, turnover increased from Lit 25 to 120 million between 1970 and 1975 though it still represents no more than 1.2% of all retail sales.

There are two types of mail-order house; one type specializes in articles such as books, records, clothing etc., which are particularly suitable for postal delivery; the other type offers the whole range of products normally available in large department stores. The firm's catalogue is delivered to potential customers either through the post or by a door-to-door salesman. Mail-order firms also advertise in the press, a particularly effective gambit in this era of inflation being their guarantee that prices will not change for the life of the catalogue (three to twelve months but generally six).

Despite its essential aim, namely to reach customers scattered over a wide geographical area, the mail-order business rarely extends beyond national frontiers and so far has failed to benefit from the creation of a Community market. It was this that prompted the European Commission to invite representatives of the mail-order business to Brussels recently to examine the situation and find possible solutions.

It emerged that the main obstacles to intra-Community trade are the disparities between national regulations in four main areas: VAT, parcel post, consumer credit and consumer protection.

Although large-scale consignments can now move from country to country without difficulty, parcels sent by post still involve annoying formalities for the consignee. These formalities are necessary because of VAT (and the fact that VAT rates have not been standardized throughout the Community) but they could be eliminated. Mail-order firms could for instance affix revenue stamps to cover VAT payable in the country of destination. Or a clearing system operated by the banks could be set up by national administrations; mail-order firms would lodge regular VAT returns and a statement of parcels dispatched by post. Postal standards (for instance weights and cash-on-delivery arrangements) also need to be harmonized by the postal authorities.

A significant proportion of mail-order sales are effected on hire purchase terms. The European Commission is currently working on a draft directive on consumer credit and the European Mail-Order Association (an organization formed by some 300 specialist firms based in Germany, Belgium, France, Italy, the Netherlands, the United Kingdom, Switzerland and Sweden) has been asked for its comments in an attempt to ensure that all the problems peculiar to mail-order sales are covered in this context.

Various consumer protection measures have been adopted by Community countries matters as premium offers, cut-price sales, advertising and individual privacy. Mail-order firms are coming into line with these regulations but find that cross-frontier sales are hampered by the lack of coordination at European level.

Another key issue is that of "returns". One of the mail-order firm's main selling points is that the customer can return unsuitable goods. However it is difficult, if not impossible, to recover VAT paid on goods from abroad.

The various barriers to intra-Community trade are such that only a handful of large firms have been able to penetrate foreign markets and these did so by setting up subsidiaries (which must hold their own stocks), by concluding agreements with other specialist firms or by acquiring shares in such companies. Thus the German firm Quelle (No 1 in Europe) has opened up in France; the British firm Great Universal Stores (No 2 in Europe) has a subsidiary in the Netherlands; the French firm La Redoute (No 6 in Europe) is operating in Belgium and Italy; and the French firm Les Trois Suisses (No 9 in Europe) has subsidiaries in Belgium, Germany and the Netherlands.

The European Commission intends to convene a meeting early this year of a working party which will be responsible for proposing solutions to the problems which are still causing headaches to the mail-order business.

Mail-order firms: turnover and share of retail trade

Germany: DM 13 000 million (of which 9 500 million on catalogue sales and 3 500 million on door-to-door sales); 3.6% of retail trade in 1973

Belgium: Bfrs 5 000 million; 1% of retail sales in 1974

France: FF 6 700 million; 1.9% of retail sales

Italy: Lit 120 million; 1.2% of retail trade

Netherlands: Fl 600 million; 2% of retail trade

United Kingdom: £1 000 million; 5% of retail trade

PRESS AND INFORMATION OFFICES OF THE EUROPEAN COMMUNITIES

BELGIUM

1049 BRUSSELS
Rue de la Loi 244
Tel. 735 00 40

DENMARK

1045 COPENHAGEN K
4 Gammeltorv
Postbox 144
Tel. 14 41 40

FRANCE

75782 PARIS CEDEX 16
61, rue des Belles-Feuilles
Tel. 553 53 26

GERMANY

53 BONN
Zitelmannstrasse 22
Tel. 23 80 41

1 BERLIN 31
Kurfürstendamm 102
Tel. 886 40 28

IRELAND

DUBLIN 2
29 Merrion Square
Tel. 76 03 53

ITALY

00187 ROME
Via Poli, 29
Tel. 68 97 22 à 26

LUXEMBOURG

LUXEMBOURG
Centre européen du Kirchberg
Tel. 479 41

NETHERLANDS

THE HAGUE
29, Lange Voorhout
Tel. 070-46 93 26

UNITED KINGDOM

LONDON W8 4QQ
20, Kensington Palace Gardens
Tel. 727 8090

CHILE

SANTIAGO 9
Avenida Ricardo Lyon 1177
Casilla 10093
Tel. 25 05 55

GREECE

ATHENS 134
Vassilisis Sofias 2
Tel. 743 982/83/84

JAPAN

102 TOKYO
Kowa 25 Building
8-7 Sanbancho
Chiyoda-Ku
Tel. 239-0441

SWITZERLAND

1202 GENEVA
37-39, rue de Vermont
Tel. 34 97 50

TURKEY

ANKARA
Kavaklidere
13, Bogaz Sokak
Tel. 27 61 45/46

UNITED STATES

WASHINGTON, D.C. 20037
2100 M Street, N.W.
Suite 707
Tel. (202) 872-8350

NEW YORK 10017
277 Park Avenue
Tel. 371-3804

URUGUAY

MONTEVIDEO
Calle Bartolome Mitré 1337
Casilla 641
Tel. 98 42 42