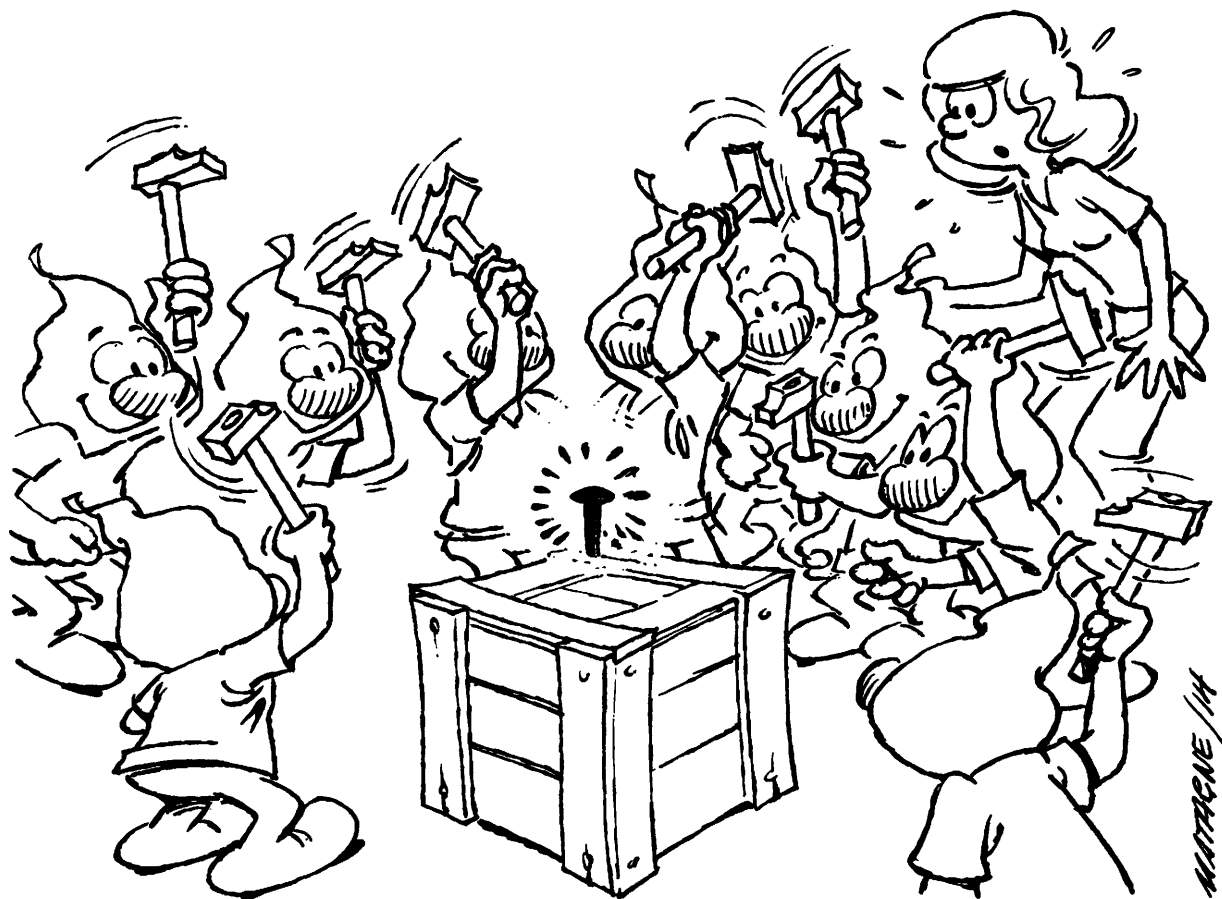


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### EURO-WHITE AND THE NINE DWARFS

Episode Thirteen: No one could accuse the Dwarfs of laziness! But what if there simply isn't enough for them to do? This week Euro-White puts all nine of them to work and is somewhat dismayed at the results. This may be full employment - but what about stability?

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**\*\* A COMMUNITY STRATEGY FOR FULL EMPLOYMENT AND STABILITY**

Is it utopian to expect a return to full employment and stability? The European Commission doesn't think so. In fact it believes it to be a political necessity.

In ANNEX 1, Euroforum describes the main features of the Community strategy for full employment and stability which has been worked out by the European Commission.

**\*\* FAIR COMPETITION - CRISIS OR NO**

In 1975 the European Commission had to step in on 37 occasions, and the Court of Justice on seven, to define fair competition between firms in the common market.

In ANNEX 2, Euroforum draws the main inferences from the Commission's competition report.

**\*\* THE ENVIRONMENT AND THE COUNCIL OF MINISTERS**

The Community's Council of Ministers plans to work hard on the environment. It is to adopt, or at least discuss, the following proposals in the first half of this year:

- a proposal for a directive on the quality of water for human consumption (forwarded to it on 31 July 1975 - see I&S No 30/75);
- a proposal for a directive on waste from the titanium dioxide industry (forwarded to it on 18 July 1975 - see I&S No 29/75);
- proposals for directives on biological standards for lead, on lead poisoning surveillance and on air quality standards for lead (forwarded to it on 24 April 1975 - see I&S No 18 and 28/75);
- a proposal for a directive to reduce water pollution by wood pulp mills (forwarded to it on 20 January 1975; a new version was presented on 5 September 1975 - see I&S No 11/75);
- a proposal for a directive on the use of fuel-oil to reduce sulphur emissions (forwarded to it on 30 December 1975 - see I&S No 41/75);
- a proposal for a directive on the dumping of wastes at sea (forwarded to it on 12 January 1976 - see I&S No 32/75).

The last two proposals are still being examined by the European Parliament and by the Community's Economic and Social Committee.

**\*\* SOAP IS NOT AN APHRODISIAC**

Soap and perfume need not be aphrodisiacs to be sold under the brand name "Aphrodisia". This, in essence, was the conclusion reached by Mr Justice Kenny of Dublin in a recent tongue-in-check ruling. The matter had been referred to the courts after the Irish authorities had refused to register "Aphrodisia" as a brand name on the grounds that it could mislead consumers. Mr Justice Kenny, who began by discussing Aphrodite and her Roman cousin, Venus, thought it prudent to consult the 1970 edition of the Concise Oxford

Dictionary. This defines "aphrodisiac" as a drug. No one, the judge concluded, can believe that he is buying a drug when he buys soap or perfume! The "Aphrodisia" range is already being marketed in France, Italy, the United Kingdom and Spain - apparently without worrying the authorities there.

**\*\* THE EUROPEAN SOCIAL FUND: THREE PILOT SCHEMES**

Instructors, divers and women are to benefit from funds granted by the European Commission to organize three pilot vocational training schemes. The first of these will put the expertise of workers with long years of professional experience to good use by training them as instructors; in a second phase an attempt will be made, with the help of these workers turned instructors, to devise a teaching method which would make it unnecessary for adult workers to go back to school. The second scheme will work out standard training procedures for mixed gas diving; this scheme is particularly well-timed in view of all the underwater work to be done in the North Sea using new techniques which professional divers must master. The third scheme will train women who have never been employed, or women who wish to return to work after a long absence, as qualified office staff; many women over 35, who gave up working when their first child was born, are in this position. Apart from helping the immediate beneficiaries these three schemes will blaze a trail for further action by the European Social Fund.

**\*\* COMPETITION: FRENCH MINERAL WATERS**

From now on French wholesalers will be free to export mineral waters supplied to them by Perrier, Evian and Vittel. The companies which abstract France's three leading mineral waters lifted their ban on exports by wholesalers following representations made by the European Commission which felt that the ban restricted competition. Between them the Perrier-Vichy group, the Société anonyme des Eaux minérales d'Evian-les-Bains and the Société générale des Eaux minérales de Vittel control about 95% of the French mineral water market. The three firms have also agreed to abandon their refusal to apply to the revenue authorities on behalf of their French customers for drawback of duty on export orders. Mineral waters for export are in fact exempt from the duty normally levied on beverages in France.

**\*\* INTER-AIRLINE COLLABORATION IN THE COMMUNITY**

The exploratory talks now under way between the Belgian, Dutch and Luxembourg Governments on the creation of a single Benelux airline have revived the idea of collaboration between the European Community's nine national airlines. The European Commission considers that it would be ideal if the nine airlines could cooperate within a single group. But Alitalia, Air France, Lufthansa and Sabena already belong to the ATLAS group (as does Iberia) while KLM and UTA are members of the KSSU group (as in Swissair). The companies already cooperate at technical level - on aircraft servicing and repairs for

instance - and group allegiance, which is largely determined by the type of aircraft flown, in no way restricts an airline's freedom to cooperate with other airlines as and when it wishes.

**\*\* "STRONG" REGIONS: THE PROS AND CONS**

The Community's regional policy must not confine itself to assisting the Community's less favoured areas. It must also establish general equilibrium between the regions. With this in mind the Regional Policy Committee is now examining incentives designed to "decongest" regions which are already highly-developed. The European Commission has asked one research institute to investigate the problem of excess economic concentration within the Community and another to suggest ways and means of counteracting this concentration. These studies are already in hand and Commission departments are busy compiling data on financial and social expenditure, the environment, the buildup of urban population and the flight from the land.

**\*\* PROTEINS FROM PETROLEUM**

Is there any future at all for proteins from petroleum? The European Commission recently told a member of the European Parliament that research has led to the development, in the European Community and elsewhere, of highly effective industrial processes for the extraction of single cell proteins (SCPs). The massive and unforeseeable increase in the price of oil obviously dealt a severe blow to this research but it may prove possible to refine these processes and make them more profitable. The future of SCPs will not depend entirely on the trend in oil prices: the development of export markets on which SCPs could compete with other sources of protein, such as soya and fish meal, could be an important factor. With this in mind industry in the Community intends to press ahead with its research and development effort.

**\*\* THE FIRST EUROPEAN COMMUNITY LOAN TO PORTUGAL**

The European Investment Bank has granted its first-ever loan to Portugal. The loan, amounting to 50 million units of account (1 u.a. = approximately US \$1.2), is to be used to boost Portugal's electricity supply and part-finance small and medium-sized industrial projects. It represents the first tranche of the exceptional emergency aid, totalling 150 million units of account, offered to Portugal by the European Community in the form of long-term credits from the European Investment Bank.

The major portion of this loan (35 million u.a.) has been granted for a fifteen-year term to the Companhia Portuguesa de Electricidade, Portugal's main electricity generating company. It will be used to part-finance the construction of a new thermal power station near Setubal, about twenty-five miles south-east of Lisbon. The power station, which will be fired by fuel-oil and have two 250-megawatt turbogenerators, should be operational by 1978. The Portuguese Government, which expects Portugal's electricity consumption to double over the next ten years, is giving high priority to this investment.

**\*\* CALLING ALL ENVIRONMENTAL RESEARCH WORKERS**

The European Commission recently published a call for tenders in the Official Journal of the European Communities (No C 78) which should prove of interest to laboratories and research centres who would like to participate in the first phase of the Community's environmental research and development programme (see Euroforum No 13/76). This would involve the establishment of criteria for pollutants and potentially toxic chemical substances, research on environmental information management (essentially on environmental chemicals), studies on the reduction and prevention of pollution and nuisances (including the application of "clean" technologies), and research concerning protection of the natural environment.

**\*\* FARM INCOMES IN THE COMMUNITY**

The pattern of farm incomes varies enormously from region to region in the European Community. A look at the range in four of the nine Community countries shows that, if 100 is taken as the national average, farm incomes fall between the following extremes; 89 to 112 in Germany, 47 to 338 in France, 54 to 165 in Italy and 73 to 112 in England and Wales. Regional differences in farm incomes thus vary between 1 and 6 in France and 1 and 3 in Italy. Although the spread is considerably smaller in Germany and in England and Wales, the range of agricultural incomes as a whole is much wider than the range of non-agricultural incomes.

A COMMUNITY STRATEGY FOR FULL EMPLOYMENT AND STABILITY

Is it utopian to expect a return to full employment and stability? The European Commission doesn't think so. In fact it believes it to be a political necessity and for this reason has worked out a "Community strategy for full employment and stability" which it has passed on to the representatives of employers, workers and government who will be putting their heads together at the forthcoming Tripartite Conference on employment.

The present situation and the outlook

In the spring of 1976 there are definite signs, for the Community as a whole, that the economy is picking up. On the basis of present evidence, a growth in gross national product of almost 4% - following a decline of 2.5% in 1975 - and some loss of momentum in the upward price movement - from 12.5% to a rate still as high as 10% - can be expected for 1976. On the other hand, it is to be feared that, for the Community as a whole, average unemployment for 1976 may still be somewhat higher than in 1975 (3.9%).

There is great uncertainty as to the pace, duration and scale of the present upswing and the longer-term prospects for economic development. Even the optimistic variants of the medium-term projections for the individual Community Member States offer no more than a gloomy view of the future. In comparison with the achievements of the ten years preceding the 1974/75 recession, they point to slower growth in potential GNP, higher unemployment, and a sharper increase in consumer prices.

It is clear that in the present situation full employment must be given highest priority; what is not so clear is whether a higher growth rate can help to solve the employment problem and whether a higher growth rate can be attained without undermining stability.

It is widely believed that even after a sharp economic upswing, unemployment in the Community will remain appreciably higher than what it was at the beginning of the 'seventies, for three reasons:

- . since industry has kept many workers on its books who are under-employed at present, it could expand production considerably without recruiting any additional labour;
- . since production is becoming more capital-intensive and structural changes are accelerating, more jobs are being eliminated than are being created;
- . more young people are joining the labour force than old people are leaving it.

Recovery without inflation

It is also clear that full employment cannot be achieved without vigorous economic growth. The Community should therefore aim for a higher GNP growth rate than that now regarded as feasible for the years up to 1980 (about 4.5% on average for the Community as a whole).

However, a higher growth rate will boost employment only after a substantial time-lag and will not automatically restore full employment.

If the authorities are still hesitant about embarking on a more ambitious growth policy, the main reason is their fear of further inflation. This risk can be avoided only if more restraint is exercised by the social partners in their decisions with regard to prices and wages, and by the authorities in their decisions with regard to public expenditure and revenue. Moderation would be easier for all concerned if there was an assurance that burdens were being fairly distributed and that real income would ultimately be higher than forecast. The aim should be to scale down price increase rates gradually in all Member States to a figure of 4 to 5% per year at most; this goal may seem somewhat ambitious at present but it is in fact no more than was achieved in the second half of the 'sixties.

The greatest contribution to the rapid restoration of full employment and stability can be made by employment policy itself, investment policy, incomes policy, price and competition policy, finance and monetary policy. Moreover short-term measures must be backed up by others which will take full effect in the medium term only, notably in the case of the structural imbalances which are to be found here and there in the Community.

#### Direct measures to promote employment

It would be a mistake to expect a general reduction in the retirement age, a raising of the school-leaving age, or a shortening of working hours to make any early and substantial contribution to the solution of the unemployment problem. Such measures raise so many severe economic, financial or political problems that they can be contemplated in the medium term only.

There is however some scope for action to ensure a better sharing of work. The social partners and governments might consider the following:

- . early retirement for elderly workers who have been out of work at least 12 months;
- . incentives to encourage firms to recruit additional labour rather than extend overtime. The extra costs associated with the recruitment of additional staff, restrictive legislation on the lay-off of workers and uncertainty as to the medium-term demand prospects frequently cause firms to extend overtime rather than recruit additional staff. Unions and employers should therefore be encouraged to limit the expansion of overtime in the months ahead and thus contribute to a more even sharing of available work. Financial incentives in the form of temporary employment premiums could help here;
- . the virtual ban on the recruitment of labour from non-member countries introduced by Member States in 1973/74 should continue until the end of 1977.



However the main emphasis must be on positive measures for the rapid reduction of unemployment and on an active employment policy. Thought should be given to measures such as temporary employment premiums and action to employ more young people.

Employment premiums can act as an incentive to firms in at least two situations: in the first place, new recruitments become an attractive alternative to more overtime when the authorities provisionally assume part of the costs; secondly, government assistance can induce firms to advance their recruitment programmes, i.e. to hire staff ahead of time while the labour supply is still abundant and of good quality.

#### Unemployment among young people

In parallel with the temporary employment premium, the following set of measures should be contemplated with the aim of reducing unemployment among young people. The actual content of the measures would obviously have to be tailored to organizational and educational arrangements and to the pattern of unemployment among young people in each country:

- . Payment of recruitment premiums to private and public-sector firms which create additional apprenticeships; these premiums would be substantially lower than the general employment premium but would be payable for a longer period.
- . Creation of additional apprenticeships by the public authorities (central and local administrations, railways, post offices, social security agencies, etc.).
- . Payment of training and/or education allowances to unskilled young people attending public or inter-firm vocational training agencies who would otherwise be out of work.
- . Promotion of labour-intensive local initiatives which would not only create jobs for young people but also meet specific local needs (e.g. urban renewal).

#### Smooth structural change

If structural change is to take place smoothly more emphasis needs to be placed in the medium term on the expansion of public job placement services (which are not equally effective in all Community countries) and the improvement of aids to promote training, readaptation and mobility thereby helping the labour force to cope with changing patterns of employment.

Lastly, the relationship between social policy and active employment policy needs to be considered. In recent years, Community countries have made major improvements in unemployment benefits and passed legislation to increase job security. This social protection cannot be jeopardized but care must be taken to ensure that future developments on this front dovetail into an active employment policy. In this way social protection will advance rather than hinder the process of economic change.

A return to full employment and stability is not a utopian dream but a political necessity which can only be achieved by an alliance between all the democratic forces in economic life, in government and in society as a whole.

FAIR COMPETITION - CRISIS OR NO

In 1975 the European Commission had to step in on 37 occasions, and the European Court of Justice on seven, to define fair competition between firms in the common market. The fact of the matter is that, at the height of the economic crisis, there is a growing temptation for firms and governments to slip into protectionism. The European Commission believes, however, that it is more important now than ever that competition be given free rein in the European Community. This is the main theme of the Fifth Report on Competition Policy recently published by the Commission.

Encouraging structural change

Competition policy must continue to play its part in times of economic difficulty. Its function is to preserve a situation in which the structural changes that are needed can take place and to guarantee buyers the best prices. Competition policy cannot solve the economic crisis but it is equally true that there can be no solution without it.

The European Commission is as much concerned about state aids as the business conduct of firms. It is afraid that the proliferation of state aids to mitigate economic difficulties and their social consequences will only serve to shore-up inadequate production and/or distribution structures.

The Commission is paying particular attention to the growing popularity of joint ventures: they may help industrial rationalization, but they can be a façade for anticompetitive agreements. It is also clear that a more systematic control of large-scale mergers is essential if harmful developments in the structure of industry are to be prevented. The Commission also intends to keep a close watch on the effects of the growing tendency by Member States to intervene in their economies through the agency of public enterprises.

The State

As was expected the European Commission was faced in 1975 with significantly more cases of assistance granted by Member States to offset the industrial and social effects of the serious economic crisis which the Community is experiencing. It has kept a close watch on the situation to ensure that the effect of the assistance was not simply to transfer from one Member State to another the difficulties it was intended to resolve or alleviate.

Two factors have had to be borne in mind. First, a return to protectionist policies, however indirect, on the part of Member States cannot provide an effective solution to the crisis. Second, a return to normal necessarily involves a structural adaptation of the machinery of production in the Community to major changes in internal demand and in the international division of labour.

The European Commission has worked out new principles for coordinating regional aids throughout the Community, which take account of the economic and social requirements of each region. This will help to make national regional policies more effective, particularly as regards the future of Community regions facing the gravest difficulties.

#### Firms

In the area of restrictive agreements and abuse of dominant positions, the European Commission has taken action against attempts to divide the market, to prevent price decreases or to aggravate the rigidity of certain markets.

The European Commission has also been keeping a watchful eye on the prices charged by a single dominant firm in different Member States. It has no wish to set itself up as a price control agency or to impose specific price reductions. It merely gave a number of pointers which enabled the firm itself to decide on an acceptable price level.

#### Informal settlement

In 1975, as in previous years, a large number of cases were settled without a formal decision. Although this procedure is less well known and has less legal value than a formal decision it enables some cases to be settled with a minimum of administrative intervention. In 1975, for instance, it was used to separate the joint interests of two major continental glass manufacturers as regards safety glass for motor vehicles and to bring the marketing in the Community of Brazilian coffee into line with the rules on competition (see Euroforum No 1/76).

When the oil crisis broke in the autumn of 1973, the Commission publicly warned the oil companies to refrain from indulging in restrictive or abusive practices. The European Commission has almost completed its examination of a complaint involving refusal to supply in a case which may well constitute abuse of a dominant position. It has also decided that there must be further investigation of the terms of sale of aviation jet fuel (kerosene) to the airlines and of naphtha to the chemical industry, the use of certain arrangements for publishing oil prices by the oil companies and public supply contracts with electricity companies (see Euroforum No 1/76).