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Can Europe's farm policy weather the monetary storm?

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In ANNEX 1 Euroforum endeavours to explain "monetary compensatory amounts" to its readers.

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In ANNEX 2 Euroforum explains the background to the medical profession's refound freedom.

** UNEMPLOYMENT IN THE COMMUNITY

The latest figures for registered unemployment in the Community are given below:

			1976	% change on corresponding month of 1975
Belgium		September	222 985	+ 20%
Denmark		August	108 400	- 5%
France		August	841 488	+ 6%
Germany		September	898 701	- 11%
Ireland		August	109 790	+ 10%
Italy		July	1 145 565	+ 7%
Luxembourg		August	427	
Netherlands		September	206 945	+ 6%
Great Britain	UK	September	1 395 770	+ 27%
Northern Ireland	UK	September	60 593	+ 25%

For the Community as a whole, there has been no significant improvement on last month's figures.

** THE ECONOMY: SITUATION 1976 AND OUTLOOK 1977

A report on the economic situation recently forwarded to the Community's Council of Ministers by the European Commission shows that a determined effort by the Member States could cut the annual rise in consumer prices in the Community back to 7 to 8% in 1977. The Community's gross domestic product should increase by 4% in real terms in 1977. The report adds however that no firm predictions as to pattern of growth in 1977 can be made until the autumn's trends become clear.

A survey of the economic situation carried out amongst industrialists in September by the Statistical Office of the European Communities reveals that the recovery that followed the 1974/75 recession is now marking time. Industrial production in July showed no increase on May and June although it was approximately 10% up on July 1975. Production of capital goods is still low; employment is showing no marked tendency to increase and unemployment remains at a steady 4.6% of the active population. After a lull from May to July inflation is gaining ground: the annual rate for the Community as a whole was around 10% during the month of August as against an average of 4½% for the period from May to July. The Community's foreign trade figures went up a little less rapidly in the early summer than during the second half of 1975 and the first half of 1976.

** YOUNG PEOPLE AND EUROPE

Delegates from a cross-section of national and international youth organizations in the Community met recently in Brussels at the invitation of the European Commission and unanimously agreed to the setting-up of a temporary secretariat for European youth. The secretariat will provide an information service for young people, facilitate consultation with youth organizations and formulate proposals on the structure, objectives and working methods of a European Youth Forum. The secretariat will be completely independent of the European Commission and should therefore be able to establish a special relationship with the Community's institutions.

** DR HILLERY'S PROGRAMME

Dr Hillery, Vice-President of the European Commission with special responsibility for social policy, recently announced details of the proposals that he hopes to see forwarded to the Community's Council of Ministers before his term of office ends. They include a proposal for a directive on equal treatment of women in the matter of social security and a recommendation urging improved vocational training for women. The European Commission will also be proposing action on illegal immigration and youth unemployment. Reform of the European Social Fund, improved health and safety at work and help for the handicapped complete Dr Hillery's programme.

** PROGRESS IN RESEARCH POLICY

The principle of equal pay for equal work is at long last to be applied at the Joint Research Centre. The go-ahead has been given by the Community's Council of Ministers which recently adopted a revised version of the regulations for research staff put forward by the European Commission.

With regard to the Centre's research programme, the Ministers were pleased that the European Commission had chosen to cut the number of priority projects from 22 to 10: 74% of Community research will now relate to energy, 18% to services and 8% to the environment.

Construction of the JET (Joint European Torus), a large plasma generator, should keep Europe in the forefront of thermonuclear research. The Ministers reached agreement on some key aspects of the project including its financing (80% by the Community, 10% by associated research establishments in Community countries and 10% by the host country), the legal status of the joint undertaking, arrangements for taking the installation out of service and conditions of employment for staff assigned to the project.

** FREE MOVEMENT OF BOOKS

A number of Dutch publishing houses have just lifted a ban they had been imposing on exports and reimports of their books following representations by the European Commission. Enquiries had shown that some members of the Koninklijke Nederlands Uitgevers Bond (Royal Dutch Publishers' Association) were requiring Dutch buyers to accept clauses which prohibited exportation to Belgium and reimportation into the Netherlands. This ban on trade between the two countries meant that the Belgian market was being deprived of economically significant parallel supplies and was thus fully controlled by subsidiaries and sole agents of the Dutch publishing houses in question.

** WOMEN OF THE WORLD, UNITE!

Women journalists are particularly well-placed to fight sex discrimination. This was underlined in a motion adopted by the International Association of Women and Home Page Journalists at the end of a conference held in Reims from 20 to 24 October. It recognized the need for a firmer commitment to the women's rights movement and called for closer collaboration between the media on a national or international basis in mounting campaigns to improve the status of women.

** TOWN AND COUNTRY PLANNING

Mr Scarascia Mugnozza, Vice-President of the European Commission, told the conference of Town and Country Planning Ministers organized by the Council of Europe at Bari that the European Commission was reviewing the urban development policies followed in the nine Community countries since 1960 and examining studies produced by consultants on the environmental problems of town centres and on the megalopolis developing in North-Western Europe. Preliminary studies on the specific problems of coastal areas and open spaces were also being discussed.

The next step, Mr Scarascia Mugnozza said, would be for the European Commission to decide, with help from national experts, what action it could usefully propose to improve the quality of urban life. Findings and recommendations would be presented to a conference of local and regional authorities to be held in 1978; this would enable the European Commission to gauge the reactions of those who are most directly involved in urban management.

** THE COMMUNITY AND THE ISO

The International Standards Organization (ISO), which is headquartered in Geneva, has just celebrated its 30th anniversary. The European Commission took advantage of the occasion to express its appreciation of the ISO's work. As the world's largest trading unit the European Community has always been very conscious of the benefits of standardization as a means of simplifying intra- and extra-Community trade and the two bodies have cooperated on more than 200 occasions.

The European Community, which has no wish to be protectionist, regards ISO standards as being valid worldwide and is prepared to adhere to them whenever possible thus opening its 260 million strong market to the rest of the world.

** COMMUNITY SUGAR PRODUCTION

The European Commission estimates that sugar consumption in the Community in 1976/77 will be in the region of 9.6 million tonnes of white sugar. Because of this year's drought, production is expected to lie somewhere between 9 and 10 million tonnes. With normal weather conditions and average yields per hectare, production would have reached 11.2 million tonnes.

** PROMOTING TRADE WITH THE THIRD WORLD

The European Commission is anxious to encourage trade between the Community and the developing countries which is why it recently proposed the creation of a European Trade Cooperation Agency to the Community's Council of Ministers. The Agency's role would be to encourage increased utilization of the generalized system of preferences (see Euroforum No 34/76) and to organize promotion campaigns for third world exports - a role which would be difficult for a civil service administration to handle.

The Agency will advise users of the generalized system of preferences on trade contracts and market surveys. Its export promotion activities will involve the organization of trade missions of European buyers to the developing countries and visits by third world exporters to the Community.

CAN EUROPE'S FARM POLICY WEATHER THE MONETARY STORM?

The German mark has been revalued, sterling has fallen, the lira and the French franc are rather shaky: monetary upheaval is threatening to play havoc with Europe's farm policy. More and more commentators are saying that "something must be done about monetary compensatory amounts". What exactly do they mean?

The agricultural unit of account

When the agricultural common market came into being in 1967, with its single prices and common external protection, the European Community was enjoying a period of monetary stability. It was a relatively simple matter in those days to convert farm prices expressed in units of account with a fixed value of 0.888677088 g of fine gold into national currencies. The equation was 1 u.a. = Fl 3.62 = DM 4.00 = Bfrs/Lfrs 50 = Lit 625 = FF 4.939706. A Dutch farmer, for example, got a minimum price of Fl 362 for 100 units of account worth of produce, a French farmer got FF 493.70, a German farmer got DM 400, and so on.

It is obvious that any devaluation or revaluation would interfere with uniform prices and hinder free movement of goods within the Community. Unfortunately this is exactly what happened: 1969 marked the end of a period of monetary stability which had lasted since World War II.

Devaluation of the French franc

On 11 August 1969 the French franc was devalued by 11%. As far as French farmers were concerned this should have meant an 11% overnight increase in guaranteed prices. The FF 493.70 that they had been getting for produce worth 100 u.a. should have jumped to FF 555. But a price increase of this order would have stimulated demand quite artificially, without any reference to demand. Consumer prices would have gone up, added to which it would have been very difficult to explain to farmers elsewhere in the Community why they were not enjoying the same advantages as their French competitors.

For all these reasons it was decided that French prices should be raised to the new level in stages over a two-year period. But there was nothing to stop French farmers and traders taking immediate advantage of the 11% price increase - all they had to do was sell their wares in another Community country. In Germany for instance cereals worth 100 u.a. would fetch DM 400 which would be changed into FF 555 by any bank.

Quite clearly this could have led to complete chaos, French farmers going all out to export having, as it were, stolen a march on their competitors. To prevent an unacceptable situation developing a levy was imposed on French exports and French imports were subsidized. These levies and subsidies, which are called "monetary compensatory amounts" in Community jargon, dislocated the single market because they reintroduced barriers which had been dismantled two years earlier.

Revaluation of the German mark

Two months later the single market was further undermined by a 8.5% revaluation of the German mark. In theory this should have led to an immediate reduction in minimum prices in Germany because produce worth 100 u.a. would have fetched a mere DM 366 instead of DM 400. A drop of this kind in farm incomes would have been completely unthinkable if only for political reasons.

It was decided that German prices would have to be kept at the old level. But this posed a new problem: there was a danger that other Community farmers would undercut Germany's farmers. In other words the situation was the reverse of that produced by devaluation of the French franc. The effects of revaluation were neutralized in the end by the introduction of export subsidies and import levies.

Gathering clouds

By 1 January 1970 the rate of the German mark in terms of units of account had been aligned on the real rate and "monetary compensatory amounts" were abolished between Germany and the rest of the Community. The same was about to happen for France when the dollar crisis broke. Monetary pandemonium followed: the German mark, the Dutch guilder and the Belgian/Luxembourg franc were revalued, other Community currencies "floated" and devalued by varying percentages. The Danish kroner was the only currency to hold its ground.

Following the headline set in 1969 with France and Germany no immediate attempt was made to adjust the relationship between the various national currencies and the unit of account so that each country was out off from its partners by the play of "monetary compensatory amounts".

The drawbacks

It is clear that "monetary compensatory amounts" constituted a threat to the single market. But this was not all. As time went on it became apparent that their adjusting function was being overtaken and that they were in fact becoming out-and-out subsidies and charges incompatible with the common market. Even without "monetary compensatory amounts" farmers in countries with revalued currencies were managing to recoup their losses since they could buy energy, machinery and fertilizers abroad more cheaply than before.

Furthermore inflation did not take as firm a grip in countries with revalued currencies as in countries with devalued currencies. This is reflected in the overall increase in production costs in 1973 and 1974: the figure was about 22% in countries with revalued currencies and 40-60% in countries with devalued currencies. Seen against this background "monetary compensatory amounts" had become a form of over-compensation.

What can be done?

The European Commission has drawn attention to the seriousness of the problem again and again. The Community's Council of Ministers has already adjusted the "green rates" on several occasions to narrow the gap between real exchange rates and the rates applied in agriculture. But this has proved to be no more than a partial solution.

The European Commission has now proposed that the system be revamped. Under its proposal "green rates" would be adjusted to reflect average market rates in the previous eighteen months. These would be calculated every six months, the average rate becoming the "green rate" six months later. It believes that the first adjustment could be made on 1 January 1977.

The European Commission also proposes, in the general interest of the Community and in view of national stabilization measures, that a ceiling be introduced for "monetary compensatory amounts" and a cut-off point fixed to avoid unduly abrupt adjustments in "green rates". The ceiling is needed to keep the Community's budget within bounds and prevent distortions of competition. The cut-off point would ensure that adjustments to the "green rates" did not exceed a margin still to be defined.

The new system proposed by the European Commission does not mean that "monetary compensatory amounts" will disappear overnight. Given time however the new system should bring them into line with monetary reality while allowing Member States a breathing space to absorb the economic effects of devaluations or revaluations.

DOCTORS: THE NEW MIGRANT WORKERS?

On 20 December 1976 doctors in the European Community will at last be as free as Paracelsus was more than four centuries ago. Freedom of establishment will become an established fact and doctors will be able to practice in Italy or Germany, in the Netherlands or France, without running into trouble with the law.

The professions in general ...

One of the basic aims of the Treaty of Rome, which established the European Economic Community, is the creation of a large market where goods, capital, people and ideas can move without let or hindrance. Free movement of goods became a reality on 1 July 1968 and free movement of workers has existed in practice since the same period. But the Community ran into major difficulties when it tried to do something about freedom of establishment for the professions.

One obvious difficulty is that the professions are inextricably linked with the social and cultural environment; individuals are not so readily interchangeable as in, say, industrial occupations. A further difficulty is that the professions on the whole are highly organized, enjoy considerable economic privileges - some might say a monopoly - and are prepared to fight to defend their material and other interests.

... and doctors in particular

In the past a doctor who studied in his native country and wished to practise in another - either permanently or on a temporary basis - had to clear two formidable legal hurdles.

The first related to nationality: generally speaking a doctor had to be a national of the country in which he practised. The second related to training: a doctor usually had to have qualified in the country in which he wanted to practise.

Nationality

The directive introducing free movement for doctors adopted by the Community's Council of Ministers is quite explicit on the nationality issue. It points out that the Treaty of Rome prohibits all discriminatory treatment based on nationality with regard to establishment and provision of services, though an exception is made in the case of employment in the public service. In some Community countries however hospital doctors are regarded as public servants and strict application of this principle would have excluded non-nationals from these posts. The nine Community countries have therefore undertaken to open up hospital posts (with the exception of certain management positions) to other Community nationals in three years' time.

Training

Recognition of diplomas is the main bone of contention as far as the professions are concerned. For doctors it posed enormous problems which took lengthy negotiations to resolve. The basic issue was the type of teaching and the quality of training.

Because consumers' interests and public health are involved it is essential that diplomas granting access to the medical profession be conferred following comparable training. This is why the Community directive specifies both the length and type of training: doctors must, as a minimum, follow a six-year course or 5 500 hours of theoretical and practical instruction given either in a university or under university supervision and must have acquired a satisfactory knowledge of specific medical and scientific subjects and a suitable clinical experience in hospitals under appropriate supervision.

Each Community country will recognize general practitioner and specialist diplomas awarded in accordance with these principles by other Community countries both to its own and other Community nationals.

Two committees

To ensure that the Community directive is really effective the Council of Ministers has set up two special committees: an Advisory Committee on Medical Training and a Committee of Senior Officials on Public Health. The first will help to ensure a comparably demanding standard of both basic and advanced medical training throughout the Community. The second will identify and analyse any difficulties arising from implementation of the Community directive or from coordination of national laws, regulations and administrative provisions relating to the practice of medicine.

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