

# eurotorum

## europa day by day

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Hit by inflation and the recession, will consumer spending bounce back during the next few months? The economic outlook for 1977 makes it unlikely (See p. 3)

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Directorate General of Information  
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Editor and coordinator : Jean Pirlot

## ++ COMMUNITY ECONOMIC OUTLOOK FOR 1977

The importance of reducing the growing disparities between the national economies of Member States has been stressed on more than one occasion by Roy Jenkins, President of the European Commission. The results of the Commission's latest study of the short term economic outlook for 1977 prove his point. See ANNEX 1

## ++ WHOLESALE IN THE EUROPEAN COMMUNITY

Wholesaling is an important element of economic activity in the Community, witnessed by the fact that its 400,000 firms employ some four million people. In ANNEX 2 Euroforum presents a few figures on the development of the Community's wholesaling industry in recent years.

## ++ A CHANGING ATTITUDE TO EUROPEAN INSTITUTIONS

"If I should like the new European Commission to be remembered for one outstanding event, it would be for its part in changing the way in which the European institutions are regarded by the citizens of the Member States. I look forward to the day when people regard these institutions, and in particular the Parliament, as something with which they can personally identify themselves and towards which they feel a personal loyalty". The sentiments of Roy Jenkins, President of the European Commission, in Strasbourg for the inauguration of the Maison de l'Europe, which is to house alternate sessions of the European Parliament. The same Maison de l'Europe will be the seat of the Parliamentary Assembly of the Council of Europe.

## ++ CONSUMER PRICE INDEX

Below is the latest consumer price index compiled the EEC statistical office.

| Country        | December 1976 | November 1976/<br>December 1976 | December 1975/<br>December 1976 |
|----------------|---------------|---------------------------------|---------------------------------|
| W. Germany     | 137.1         | + 0.3 %                         | + 5.4 %                         |
| France         | 158.2         | + 0.6 %                         | + 9.6 %                         |
| Italy          | 179.2         | + 0.8 %                         | + 11.2 %                        |
| Netherlands    | 157.2         | + 0.2 %                         | + 9.0 %                         |
| Belgium        | 156.5         | + 0.5 %                         | + 11.0 %                        |
| Luxembourg     | 148.3         | + 0.6 %                         | + 10.9 %                        |
| United Kingdom | 199.8         | + 1.3 %                         | + 25.0 %                        |
| Ireland        | 192.2 (1)     | + 2.7 % (2)                     | + 16.8 % (3)                    |
| Denmark        | 158.1         | + 0.1 %                         | + 4.3 %                         |

(1) 15 November 1976

(2) 15 August 1976/15 November 1976

(3) 15 November 1975/15 November 1976

#### ++ THE CONSUMERS' CONSULTATIVE COMMITTEE

The Commissioner responsible for Consumer Affairs, Mr. Richard Burke, opened the meeting of the Community's Consumers' Consultative Committee on February 4, 1977, by recalling the importance the European Commission attaches to consumer protection to ensure an harmonious balance between the various interests present in the Community.

The Consumers' Consultative Committee went on to discuss the proposal for a Community directive being prepared by the Services of the European Commission dealing with the pricing of foodstuffs. After praising the initiatives taken by the Commission, the Committee insisted that the final version of this proposal should have greater regard for the everyday interests of consumers confronted with pre-packed products which are presenting greater sizes and quantities than they require.

Finally the Committee announced new appointments to the Bureau. Meetings will be presided over by Etienne Dary of COFACE (family organisations), with Anthony Dumont (European Bureau of Consumers' Unions), Mr. R. Meis of the European Trade Union Confederation, and Giuglio Spallone (EUROCOOP-cooperatives) as vice presidents. Mrs. B. Feder-spiel, a member of the Bureau will represent the independent experts.

A delegation from the Committee has been received by another Commissioner, this time vice-President Finn-Olav Gundelach, who is responsible for agriculture. They exchanged views on the agricultural prices the Commission will propose for the next marketing year.

#### ++ COMMUNITY ENERGY INDEPENDENCE

Despite voluntary energy saving by many countries, the European Community will still depend on the rest of the world for 55 % of its energy needs by 1985. The only hope for independence lies with the development of its own resources, according to Mr Guido Brunner, Commissioner responsible for energy. Since neither coal nor gas can fill the energy gap and resources such as hydro-electric, geothermal, solar, wind, wave or tidal energy can only make a modest contribution, a substantial nuclear power programme seems necessary.

Public concern for the safety and disposal of nuclear waste should be met with a satisfactory response. The Commission has announced its intention to organise open hearings of recognised experts on nuclear problems in order to involve the public in the nuclear debate. At the same time the European Commission will intensify Community research on nuclear safety and waste disposal.

#### ++ HEMINGWAY IN PAPERBACK

It has recently been impossible to find Ernest Hemingway's masterpiece "The Old Man and the Sea" published in Penguin paperback form in Ireland or Great Britain, although the book has been available in every other Community Country. The reason for this was that Jonathan Cape Ltd, who hold the copyright for the whole of the EEC,

had sub-licensed Penguin Books Ltd to publish the book in English in all Community countries except Ireland and Great Britain. The European Commission intervened, stating that Jonathan Cape Ltd should be more respectful of the rules of free competition in the European Community. As a result, several of Hemingway's works, including "The Old Man of the Sea", will soon be re-published throughout the Community.

#### ++ AID FROM THE EUROPEAN REGIONAL DEVELOPMENT FUND

Some 109 investment projects in the United Kingdom, Ireland and Italy are to receive financial support of 54.6 million units of account (1 ua = approx. 1.1. dollar) from the European Regional Development Fund. The European Commission has just approved the granting of this aid which will finance projects in industry, craft and services (59) and others dealing with infrastructure (50). Total aid given by the European Regional Development Fund since it was set up in 1975 works out as follows :

| <u>Country</u> | <u>Total amount granted<br/>in 1975, 1976 and 1977</u> | <u>Total number of<br/>investment projects</u> |
|----------------|--|--|
| Belgium        | 10.71  | 64   |
| Denmark        | 10.29  | 76   |
| W. Germany     | 29.38  | 260  |
| France         | 122.49   | 441  |
| Ireland        | 57.59  | 200  |
| Italy          | 368.08   | 530  |
| Luxembourg     | 0.75   | 1  |
| Netherlands    | 15.58  | 11   |
| United Kingdom | 239.59   | 1,254  |

#### ++ VACUUM INTERRUPTERS AND FREE COMPETITION

The vacuum interrupter is a sophisticated type of circuit breaker still only at the early stage of development. It is more efficient and durable than the liquid and air types that are in now general use and because of this the European Commission has given its approval to two British firms (Associated Electrical Industries and Reyrolle Parsons Ltd) who have agreed to set up a common subsidiary company called Vacuum Interrupters Inc. The Commission has, however, laid down some conditions to this authorisation : it wants to be kept informed of any changes in its capital structure, as well as any extension of the activities of the subsidiary, which has been set up to design, develop, manufacture and sell vacuum interrupters.

#### ++ ADMINISTRATION COSTS

Expenditure on public administration has been climbing every year in all the Community countries. Today it absorbs between 40 and 55 % of gross domestic product (GDP) according to country, as against

25-36 % in 1959. The European Community's budget has followed the same pattern, but on a much smaller scale : in 1959 it accounted for practically nil as a percentage of the Community's GDP and today, in 1977, it amounts to 0.66 %

#### ++ TAKE OFF PROBLEMS FOR THE COMMUNITY AERONAUTICAL INDUSTRY

The future of the aeronautical industry is essentially a political problem, says the European Commission in reply to a written question from Georges Carpentier, a French Member of the European Parliament. For several years the Commission itself has been trying to stimulate a commercial breakthrough for the aeronautical industry into the civil aviation market. In 1972 and again in 1976 the Commission sent proposals to the Council of Ministers on export credits and the setting up of a European export bank from which the aeronautical industry could expect substantial aid. Finding ways of financing sales, however, will not be enough to resolve the present difficulties.

The aeronautical industry suffers from overcapacity which has repercussions in the employment sector. The only way to safeguard employment and the high standards of European quality and design is by establishing a common policy.

This must take into account two factors : it is no longer possible for any single Community country to envisage launching new programmes on its own, and the Community as such does not have the means to launch programmes in competition with national programmes. Collaboration with American industry is only acceptable if it is mutually beneficial, and Community countries must look for the appropriate cooperation formulas together.

In such a strategy, the Member States must seek to take the necessary measures to ensure the convergence of all their common interests.

#### ++ PROFESSIONAL TRAINING FOR THE YOUNG

The young should be informed in a precise and detailed way on measures taken by the European Community to facilitate their professional education ; a view expressed by the Economic and Social Committee after examining European Commission proposals dealing with young people who are unemployed or threatened with losing their jobs. The Economic and Social Committee insisted that the Commission should send Member States a list of measures already taken in other countries explaining the success they have met. Apart from spreading a few new ideas, such a list would facilitate discussion with both sides of industry. The Economic and Social Committee wishes to be closely associated with the development of a policy for the professional training of young people.

++ URBAN GROWTH

In 1974 the European Community had 258 million inhabitants. The percentage of those living in towns of more than 20,000 people exceeded 80 % in Germany, Denmark, and the United Kingdom ; 70 % in the Netherlands, Belgium and France ; 65 % Luxembourg, and 50 % in Italy and Ireland. The growth of towns of more than one million people is striking : in 1920 only ten cities in what is now Community territory had more than one million people. In 1970 there were twenty-three. The total population of these towns has, moreover, gone up from 28 million in 1920 to 60 million in 1970. These figures were released by Mr Michel Carpentier, head of the Environment and Consumer Protection Service of the European Commission, at an international meeting on city management at Lille.

++ SMALL BUSINESS AND CRAFT INDUSTRY IN THE COMMUNITY

Small and medium-sized firms, together with craft industries, play an important role in the economic life of the European Community. With them in mind, the European Commission (Directorate-General for Industrial Affairs and Internal Market) has brought out four particularly useful publications :

- A definition of the small and medium-sized enterprises and the artisanat in the nine countries of the Community ;
- National reports of equity financing problems of small and medium-sized enterprises in the Community;
- A directory of organisations in the Member States concerned with subcontracting ;
- A bibliography of small and medium-sized enterprises and the artisanat.

These documents can be obtained from Directorate-General for Industrial Affairs, European Commission, 200, rue de la Loi, 1040 Brussels.

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COMMUNITY ECONOMIC OUTLOOK FOR 1977

The importance of reducing the growing disparities between the national economies of Member States has been stressed on more than one occasion by Roy Jenkins, President of the European Commission. Results of the Commission's latest study of the short term economic outlook for 1977 prove his point. Demand and output will only rise slightly during the coming months, partly due to the impact of the recent rise in oil prices on the world economy and partly as a result of the stabilisation policies pursued by a number of the Member States to hold back domestic demand.

During the first half of this year, Community exports to the rest of the world should improve. Sales to the USA should continue to increase, and new outlets could develop with northern European countries and oil producing states. Deliveries to non-oil producing countries should increase, while exports to the eastern European state trading countries should stabilise. Overall, the Community's share of the world market should increase slightly in contrast to the slight decrease of 1976.

The levels of final domestic demand in West Germany and the Netherlands during the next few months will only partly compensate the low levels of demand which are to be expected in other Community countries. The building up of stocks cannot be relied upon to give any boost to the level of economic activity.

Investment will be moderate in coming months and will predominantly be devoted to rationalisation and replacement in most Community countries, since there will still be substantial unused capacity. Private consumption will remain a weak element in total demand. In certain countries, the slow but progressive stabilisation in prices should re-establish consumer confidence, but family income is not expected to increase significantly - even less so in countries where stabilisation measures have recently been taken. Uncertainty of the future will tend to encourage families to save.

The expansion of production in the first half of 1977 will probably only be moderate. Industrial production in the consumer goods sector will remain limited due to the trend of reduced orders on the books. Little progress can be expected in other sectors. The net effect will be a slight improvement in industrial activity in the first half of the year.

If events follow the same course in the second half of the year, the Community's Gross Domestic Product (GDP) will achieve an annual growth rate of 3 % in real terms. This outlook demonstrates the effort required to achieve the growth target of 4 % (in real terms) set out in the Community's annual economic report (see Euroforum No 23/76)

Given the glum business climate, however, no improvement in the labour market can be expected. In most sectors, the existing labour force can cope with a slight expansion in production. In fact, unemployment could increase in some sectors. The level of unemployment in the Community in the first half of 1977, taking into account seasonal fluctuations, should be about the same as at the end of 1976.



But it remains to be seen whether economic progress in the Member States will avoid a new increase in unemployment by the middle of the year, particularly with school leavers coming on to the job market for the first time.

Inflation could lose a little momentum during the coming months, but price disparities within the Community will remain excessive. Suitable domestic policies will be required to stabilise prices and calm the exchange market in countries with a balance of payments deficit.

The behaviour of both sides of industry will be an essential factor. One side has to accept moderation in prices increases, and the other moderation in wage demands. Only with both conditions satisfied will it be possible to create the necessary favourable climate for investment to create jobs.

Nevertheless, if economic policies remain unchanged, the overall increase of consumer prices in the Community (taking into account the impact of the new rise in oil prices) will, in all probability, not be less than 9.5 % in 1977. Once more, this will be higher than that in the industrialised countries of the rest of the world.

Growth of imports will probably be moderate in the first half of 1977. Some Member States have taken measures to correct balance of payments deficits, which will somewhat limit their imports, though the levels will probably be less than those of 1976. The outlook is, in fact, more dynamic for exports than for imports. The Community's trade deficit will decrease during the coming months and the improvement will be particularly marked in Italy.

Even if all the countries manage to absorb the impact of the increase in oil prices, itself a threat to economic recovery, the disparities between Member States will still be excessive. The task ahead is to reduce these disparities.

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WHOLESALE IN THE EUROPEAN COMMUNITY

There are some four hundred thousand wholesalers in the European Community providing employment for about four million people, and therefore representing an important element in European economy. But the trend in wholesaling differs greatly from country to country. In Belgium, the number of wholesaling firms has fallen from 31,000 (1970) to 25,000 (1975), while in Germany it has fallen from 132,000 (1970) to 117,000 (1975). By way of contrast, the number in Italy has risen from 93,000 in 1971 to 105,000 in 1974.

In Germany the concentration and the drop out over the years has changed the image of wholesaling. The number of firms has decreased by about a quarter since the early sixties. The biggest areas of wholesaling are in food products, minerals, coal and oil products, and wood and construction materials, as well as vehicles and machines. Concentration has been relatively rapid and has followed a pattern set by the companies with an annual turnover of more than ten million DM. As long ago as 1962, these large firms were responsible for half the turnover of wholesaling ; by 1974 they accounted for two thirds. Smaller firms with a turnover of less than 250.000 DM in 1974, a good third of the wholesalers, now only account for a mere one per cent of total turnover.

In the Netherlands, where there has been a great deal of concentration, the structure of wholesaling is still dominated by small firms. Only five per cent of them employ more than 50 people. But on strictly commercial grounds, only one third of Dutch firms are of sufficient size and quality to survive the future of wholesaling.

A third of the wholesalers in France deal in food products. As in many other countries, the greatest forms of cooperation are in the chains of independent retailers. The 'Cash and Carry' phenomenon, which is relatively new to wholesaling, has already taken 15 % of wholesaling turnover in food products, with some 400 relatively small selling points.

In Belgium there is a greater than average density of wholesalers ; in 1970 there were 21.5 wholesalers to every 100 retailers. A substantial drop out rate is expected during the next few years. Wholesaling principally covers consumer goods : food, textiles, clothes and shoes. At the beginning of the seventies, 30 % of the total number of wholesalers were engaged in food products, and scarcely 10 % in clothes, shoes and textiles. At the same time, wholesaling in raw materials and producer goods were less than 40 %.

Luxembourg has about 3 wholesalers, mainly concentrated in the food-stuffs sector acting basically as intermediaries. The same is true for pharmaceuticals and wholesaling construction materials. Luxembourg wholesalers face competition from manufacturer distribution organisations, but also from cooperatives formed by various professional sectors. The competition is already very strong and is expected to increase during the coming years.

The vast majority of wholesalers in the United Kingdom (four-fifths) operate to a great extent from their warehouses. Ten per cent of the

firms basically operate by mail order, amounting to nearly one tenth of total sales. Mail order selling is predominant in foodstuffs, agriculture, minerals and metal, as well as in general exports.

The information in this article is taken from the study 'Market structure competition in Community wholesaling', published by the European Commission in its series of studies on 'Trade and Distribution' 1976. The document and its conclusions are the work of the IFO in Munich, and can be obtained from the Office of Official Publications of the European Community, PO Box 1003, Luxembourg

The United Kingdom pioneered the introduction of no delivery selling in wholesaling at the beginning of the sixties. In 1973, there were more than 600 'Cash and Carry' outfits with a total turnover of some 900 million pounds. Since 1962, the number of outlets has increased five times over, while sales have increased tenfold. Today, around one fifth of total wholesaling turnover in foodstuffs is accounted for by 'Cash and Carry' firms.

At the beginning of the seventies Ireland had about 2,500 wholesaling firms employing some 32,000 people to achieve their total turnover of about 594 million pounds. Two thirds of total turnover at present, however, is accounted for by a mere 15 % of the firms involved. By contrast, half the firms engaged in wholesaling account for less than 8 % of total turnover.

In Denmark the number of wholesalers has increased slightly from 20,194 (1970) to 20,835 (1972), whilst the number of firms in the craft and industrial sector has diminished. The change is mostly due to a large increase in the number of wholesalers dealing in furniture, household goods, and other consumer goods. Limited liability firms are very important in Denmark, and almost 20 % of the firms have this legal form, accounting for 55 % of sales in 1971. The largest wholesaling turnover in Denmark belongs to the cooperative organisations.

Out of the 105,000 wholesalers that existed in Italy in 1974, 60 % were to be found in the north of the country, a good 20 % in the south and the islands, and less than 20 % in the middle of Italy. The Italian system contains a large number of small firms. At the beginning of the seventies a good third of the firms only employed a single person. The independent chains and purchasing groups have made very little impact in the country.

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## PRESS AND INFORMATION OFFICES OF THE EUROPEAN COMMUNITIES

### *BELGIUM*

1049 BRUSSELS  
Rue Archimède 73  
Tel. 735 00 40/735 80 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  
Kurfurstendamm 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

CARDIFF CF1 1WF  
4 Cathedral Road  
P.O. Box 15  
Tel. 371 631

EDINBURGH EH2 4PH  
7, Alva Street  
Tel. (031) 225.2058

### *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, N.Y. 10017  
245 East 47th Street  
1 Dag Hammarskjöld Plaza  
Tel. (212) 3713804