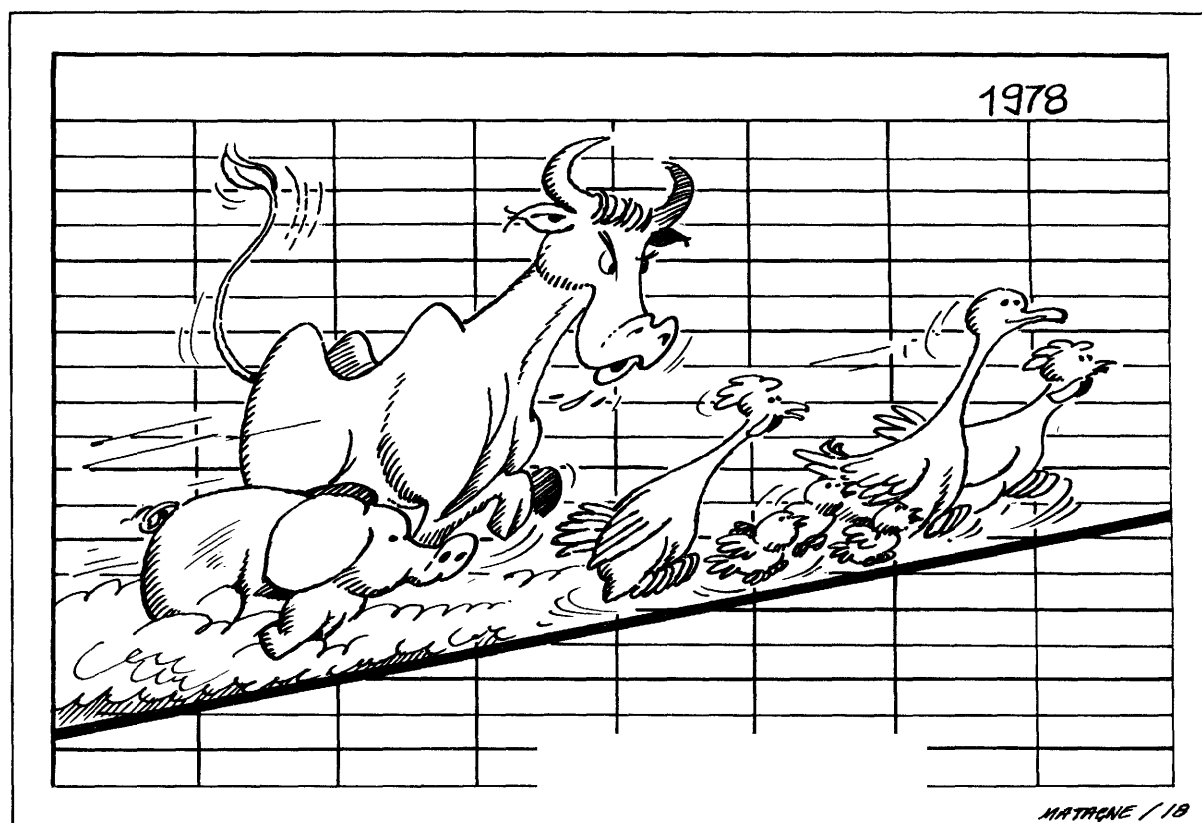


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Moderate price rises agreed for farm produce (see page 3).

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++ FARM PRICES : MODERATE INCREASES AGREED

An average increase in farm prices of only 2.1% for the 1978-79 marketing year was agreed by the Nine's Agriculture Ministers at the end of another marathon meeting.

Annex 1 details the agreements reached and other matters dealt with during the session.

++ WAGES IN 1977

Labour policy and wage increases in 1977 were greatly affected by the three bogeys of inflation, recession and unemployment.

The growth in wages in 1977 throughout the Community is discussed in Annex 2.

++ HELP TO SMALL INDUSTRY

Small and medium sized industry employs about two-thirds of the working population in the European Community. The European Commission's resolve to help these companies and alleviate the specific problems which hinder their development, is consequently quite understandable.

The measures which the Commission intends to take are outlined in Annex 3.

++ AT THE PARLIAMENT

During its May session the European Parliament discussed Commission proposals for helping the young unemployed (see Euroforum N° 14/78). Mr. Pietro Lezzi (Italian, Socialist) found the proposals insufficient in quality and quantity : whilst 2 million young people are hunting for jobs they would only help some 150 000 of them. Mr. Lezzi suggested in particular that the field of application of these measures be extended to include young people who fall victim to rationalisation measures in industrial sectors in difficulty, to projects which employ young people who have been out of work for some time, and finally to the growing number of young women looking for jobs. Community aid should also encompass job creation initiatives in small towns and rural areas.

It should also encourage the small and medium sized companies as well as craft industries to take on young people as part of their development programmes. During the debate, other speakers also emphasized that to deal with youth unemployment effectively the idea of aid to developing countries needs to be rethought : these markets are future

markets for our manufacturers. By helping them, industrialised countries will be helping themselves.

Energy problems were also a focal point of discussion and parliamentarians stressed the urgency of implementing a common policy for oil and for the oil refinery industry. They also discussed the possibility of a uranium crisis: "In the current situation do we not risk reducing dependency on oil by creating a new dependency on uranium?" The discussion on uranium was introduced by a question from Mr. Dankert (Germany, Socialist) on the degree of Community dependence on South African uranium (twenty percent of world reserves). Mr. Richard Burke of the European Commission indicated that by 1980 the Community would depend on third countries for 80% of its uranium requirements. The Commission consequently takes the view that no energy source should be discarded.

European Commissioner Etienne Davignon gave the Parliamentarians a report on the situation in the steel industry. He described the structural crisis in the industry as being a situation where the tools of production were no longer suited to market realities. All those interested, including workers, have been consulted during the decision-making on restructuring the industry. The Commission has also tried to ensure that measures taken by industry and government are in the interests of the Community as a whole. When this is not the case, the Commission gives a very clear negative opinion.

++ INDUSTRIAL STAGNATION ENDS?

Industrial production seems to have recovered from the stagnation apparent in the third quarter 1977. The production index for 1978 shows a substantial rise for all industry (except construction) from 116 in December 1977, to 117.7 in January '78, to 118.2 in February '78.

Industrial production has seen most improvement in France and Italy (+ 1%) but decreased slightly in Germany. Other countries recorded little change except Denmark where a sharp drop was registered. The greatest improvement has been evident in the intermediary goods sectors (raw materials and semi finished goods).

++ NUCLEAR REACTOR SAFETY RESEARCH

The Community's Joint Research Centre has been conducting a research programme for a number of years on nuclear safety and during 1977-80 expenditure on the programme is likely

to reach 81 million units of account (1 u.a. = ± 1.25 dollars). The Commission has now proposed that this programme be extended through research conducted in collaboration with a number of Community organisations dealing with the safety aspects of light water reactors (which are responsible for most nuclear electricity production).

This supplementary research programme will cover the following points:

- accidents through loss of cooling liquid;
- the protection of nuclear plants from explosive gases produced from conventional industrial plant;
- the emission of radioactive particles and their dispersion in the atmosphere following a reactor accident.

This programme will last five years and will absorb 17.6 million European units of account, half of which will be provided from the Community budget and the remainder from the organisations carrying out the research.

++ HONOURABLE AUDITORS

Certain Community countries only permit company auditing to be undertaken by professionals whose qualities are guaranteed. In other countries this is not necessarily the case. The Commission has consequently proposed (in line with its programme to harmonise company law) a directive stipulating the requirements for company auditors. According to the directive, only professionals who are perfectly qualified, honourable and independent should be authorised by Community States. The aim of the directive is to ensure that shareholders, workers and creditors throughout the Community are assured equivalent guarantees as to the quality of the legally required inspection of their companies.

++ OIL IMPORTS DROP

Community crude oil production increased twofold in 1977 following the expansion of British production in the North Sea (which reached 37.8 million tonnes in 1977 compared to 11.5 in 1976).

Community oil imports consequently decreased by 6% in 1977 (down by 482.5 million tonnes) and compared to the level of imports before the energy crisis, the decrease is effectively 21%. The two main reasons for this drop are the lower level of industrial activity in the Nine and attempts at diversifying Community energy sources.

++ SCHOOLS FOR MIGRANT CHILDREN

From the play group to the day he leaves school, the child of the migrant worker suffers under an educational system which was never designed to cater for his needs. Throughout his schooldays, he is torn between two languages, two cultures and two societies.

Information on the problems faced by children of migrant workers has now been published by the European Commission in a new brochure. Based on the information and opinions collected during meetings of national experts, the publication titled "The children of migrant workers" also discusses the solutions envisaged by the Community and national governments. The document can be obtained from the Office for Official Publications, PO Box 1003, Luxembourg, priced £1.25.

++ ASSET FORMATION BY WORKERS

The European Commission has long been interested in the development of asset formation schemes for workers to enable them to benefit from company asset formation.

The Commission will soon be publishing a report on the asset formation systems currently in force in Member States and the problems which they face.

This publication should stimulate further discussion in the European Parliament and in the Economic and Social Committee and should indicate the best directions to be pursued.

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FARM PRICES : MODERATE INCREASE AGREED

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Agricultural prices will increase by only 2.1% on average during the 1978-79 marketing year which is expected to increase the cost of living by about 0.2%. The direct impact on food prices will be around 1%. This was the agreement reached on Friday May 12th at the end of the marathon meeting of Agriculture Ministers.

Though agreement on prices to be guaranteed by the Common Agricultural Policy did not cause major problems, other related issues (in particular aid to the Mediterranean regions and wine problems) extended the meeting into one of the most difficult marathons for years.

Prices : a successful proposal

The moderate price increases agreed by the Nine represent a successful conclusion to the European Commission's proposals, which were based on the assumption that a prudent price policy is indispensable in bringing about a better balance between producers and consumers to avoid new surpluses.

The average increase of 2.1% for common agricultural prices (in units of account) will affect countries to different degrees. Italy, Ireland and France - weak currency countries - have already devalued their "green currencies" which signifies a corresponding increase in income for farmers. Similarly guaranteed prices will increase 8.8% (in local currency) for Irish farmers, 7.4% for Italian farmers and 6.5% for the French. The revaluation of the "Green Mark" in Germany has resulted in a percentage increase which is slightly lower than the average at 1.8%. It should be noted that the prices fixed in Brussels are guaranteed prices which are, in many cases, lower than the market prices which really affect farmers.

Compensatory amounts : an important step

By devaluing and revaluing these "green" currency rates the Commission has achieved another of its objectives by reducing payments of monetary compensatory amounts (MCAs) which distort competition and trade in farm produce within the Community. These MCAs act as export taxes and import subsidies for weak currency countries. In strong currency countries they are effectively import taxes and export subsidies. The MCA system was in fact introduced during the monetary crisis when certain Community countries were revaluing or devaluing their currencies.

The aim was to avoid difficulties for stable or revalued currency countries caused by cheaper imports from those countries whose currency has devalued. Though the use of MCAs did reduce a certain amount of trade distortions, it did create other problems and even certain groups of French farmers vociferously complained that the system worked only to the advantage of their Belgian, German, and Dutch competitors.

Wine and the Mediterranean

France and Italy were at loggerheads over ways to discipline the wine market. France finally obtained the Council of Minister's agreement to apply a series of measures in case of market crisis. Italy and France also presented the Nine with another problem, that of Community structural aid to farming in the Mediterranean regions. The Nine finally agreed to pay 800 million units of account to finance a vast structural programme involving an infrastructure development, irrigation etc. in southern Europe. Italy demanded an additional 200 million units of account for reafforestation projects but was not given a firm commitment.

Mr. Finn Gundelach, European Commissioner responsible for agriculture commented "What is done for the Mediterranean regions does not only concern Italy but the whole Community. If it is not balanced the Community cannot function as an integrated economy".

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WAGES IN 1977.

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Economic measures introduced in 1976 to reduce Community inflation and unemployment resulted in moderate price rises and a slow down in nominal wage increases. The impact of this varied from country to country : purchasing power suffered greatly in the UK though it increased slightly in Belgium with no change in France.

Economic crisis

Labour policy (income and asset formation) was greatly influenced by the persistent economic problems in Community countries with inflation, economic recession and unemployment remaining the three principal priorities for government attention.

Hopes in 1976 for a drop in inflation and a rise in economic growth did not fully materialise and GNP growth in 1977 only increased 2% whilst unemployment remained high and investment low. Economic policy has consequently had to concentrate on stimulating investment, boosting private consumption and price stabilisation through wage restraint.

The European Commission has just published a report on "The Development of the Social Situation in the Community in 1977" which can be obtained from the Office for Official Publications, PO Box 1003, Luxembourg priced BF 220 or equivalent.

Wage policy in the Nine

Automatic indexation of wages : European trade unions continued to support this principal in 1977. In Italy and Holland the unions fought hard to maintain indexation which has traditionally been a guarantee of purchasing power. The changes introduced in the Belgian indexation system in 1976 were scrapped in 1977 and the earlier system restored.

Raising lowest wages : this trend was more pronounced in 1977 in Community countries. The minimum wage in those countries where it is guaranteed in law increased faster than the general cost of living index (even more than required under the strict application of the law). In many countries additional benefits were agreed on top of straight percentage increases. Finally, governments in the UK, Ireland and Belgium agreed to tax changes to protect purchasing power for the worst paid workers.

Asset formation : policy for workers did not see much progress during 1977. The systems already introduced in countries such as France and Germany continued to operate normally but new schemes proposed in Germany and Denmark were postponed.

The European Commission's policy for improving living and working conditions has resulted in:

- systems for encouraging asset formation by EEC workers;
- proposals for directives on shift work and night work;
- part-financing by the Commission of courses at the European Centre for Industrial Design, the aim of which is to spread knowledge in industry about new labour organisation techniques.

#### National figures

Belgium : in 1977 automatic index linking of wages was fully restored together with free collective bargaining. On the other hand the law now contains provisions designed to discourage large wage increases. The largest increases in hourly rates were found in the petroleum industry, building industry and metal working industry.

In the first three quarters of 1976 wages rose on average by 7.1% and salaries by 6%. The minimum guaranteed wage at the end of 1977 was 19 657 BF per month (gross).

Denmark : two wage increases were agreed for 1977, both for Kr 0.70 per hour for adults and Kr 0.40 for young people. A guaranteed minimum rate of Kr 29 per hour was introduced for all adult workers paid by the hour.

Germany : as in 1976 earnings in the private sector grew slightly faster than wage rates fixed by collective agreements which rose by 6.9% between the first half of 1976 and the first half of 1977, whilst gross aggregate wages per employee rose 7.5% in the same period. Given higher social security and income tax, the corresponding net figure was only 5.6%. Taking into account rises in retail prices, the increase in purchasing power over this period works out about 2%.

The average amount of asset formation per employee rose to DM 615 (of which DM 410 were contributed by employers) after having stagnated at DM 580 during the previous three years.

France : during 1977 wage rises slowed down somewhat to 8.9% during the first nine months as against 11.9% for the same period in 1976. The minimum growth wage (SMIC) was increased five times during the year and rose from FF 1 549.6 per month on December 1st, 1976, to FF 1 743.73 per month one year later. A savings scheme was set up for manual workers to enable those wishing to acquire or set up craft industries to obtain the necessary resources.

Ireland : the National Agreement for 1977 (to run for 14 months) gave most workers a total increase of £4.36, equivalent to 8% on a yearly basis (compared with 13% under the 1976 National Agreement). It should be noted that this agreement stipulates that any further claims which increase labour costs are not permissible and industrial action in pursuit of claims over and above those granted in the agreement is prohibited.

In the field of asset formation a State grant of £1,000 has been paid since May 26, 1977 to all first-time purchasers of new houses.

Italy : a 22% inflation rate in 1976 and high average increases in labour costs led the Government, employers and unions to sign a nine point agreement to increase competitiveness in Italian industry. The sliding scale wage indexation system was subsequently not used in the calculation of severance pay - though entitlement to such allowances remains unchanged - nor in the calculation of productivity bonuses (the unions firmly opposed any change in the sliding scale system itself or its operation). It also agreed that from February 1977 to January 31st 1978, wages and salaries granted under agreement and concluded at plant level which were higher than those fixed in the national collective agreements should not be deductible from the taxable income of undertakings and that any plant granting such increases would not be eligible for relief from social charges (effectively a freeze on plant-level bargaining).

Luxembourg : the economy is still suffering from the effects of the steel industry crisis which is forcing manufacturers to restructure and rationalise. The growth in GNP for 1977 was around 1%. An agreement was concluded covering the steel sector and providing a flat payment of Lux F 7 200 at the end of 1977 to compensate for the decrease in the monthly bonus during the year. The guaranteed minimum wage was adjusted automatically on two occasions from Lux F 15 480 per month on January 1st, 1977 to the current level of

Lux F 16 914. An indexed savings scheme was introduced by the private banks at slightly better terms than the Government's State Savings Bank to encourage asset formation.

Netherlands : agreement was reached in mid-February by both sides of industry to keep indexation but only after a wave of strikes affecting various sectors and Government agreement to reduce certain employers' social security contributions by 1.5%. Agreements were negotiated at sectoral level granting increases of between 1.5% and 2%. The legal minimum wage was adjusted twice during the year to Fl 1 673 (an 8.3% increase for the year). Government figures for wages during 1973-77 show relatively larger increases for the lowest paid.

United Kingdom : in July 1977 the index for average earnings showed an annual increase of only 8.1% compared with a rise of 17.6% in retail price index over the same period, representing a cut in purchasing power without precedent since the war. The Government introduced a series of tax changes including higher personal allowances and measures dealing with food prices designed to increase net incomes. The mini-budget of October 1977 raised the tax threshold by 12% and exonerated 900 000 people from paying income tax. Further measures to revive the economy were promised for spring 1978 provided wage increases remained moderate and earnings did not exceed the 10% guideline.

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HELP FOR SMALL INDUSTRY

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More than two-thirds of the working population are employed in small and medium sized industry (excluding agriculture and public administration). Through its diversity and small size, this sector of the economy provides the flexibility indispensable in enabling the economy to adapt to society's varied and changing needs.

Though the small size of these companies is their main advantage, it also causes them a certain number of problems with administrative formalities. Social contributions tend to be a heavier burden for them than for large companies. They also have a number of specific problems such as finance - particularly for new companies or for those wishing to export. Aware of the problems faced by these companies, the European Commission has been developing a number of schemes to encourage their growth and development.

Customised assistance

Given the nature of the small and medium sized companies, the European Commission has developed four principles to guide its approach:

- the Community should fully take into account the needs of the small and medium sized and craft industry in drawing up all Community policies - economic, social, legal, fiscal. These policies should encourage the development of these firms;
- the Community should consider all aspects of the problems faced by these companies and take action in all required fields;
- Community measures should be complementary with those of the semi-governmental, private, local or regional organisations which work closely with these companies who often operate in geographically limited areas. Where possible, Community initiatives should be implemented by way of these organisations;
- finally Community action should be strictly limited so as not to add more complexity to the regulations which these companies have to live by. The Community's aim should be to simplify life, not the opposite.

Data collation

To begin to tackle the problem, all relevant data has to be assembled and the European Commission has just undertaken an analysis of the importance of small and medium sized companies and recent growth trends in Member States. Assisted by the annual coordinated surveys conducted in Community countries this study should make the picture a little more transparent and enable the measures envisaged to be fully developed.

First series of measures

a) simplifying tax formalities : this scheme has already begun and the Commission has been examining ways of reducing trade formalities between Community countries as well as simplifying administrative tax.

b) training the bosses : the Commission intends to collate information on all the initiatives taken by FEC countries to train management which is often ill prepared for the tasks it performs. In addition, the Social Fund has given its agreement to finance a pilot scheme of courses for training company owners and could also finance the use of management consultants by these small companies.

c) informing these companies : the Euronet information network (see Euroforum 35/77) will soon be operational and should help resolve the problem of access to the scientific technical and socio-economic data which these companies need.

d) give easier access to Community funds : the Community's five principal sources of finance are open to these small companies as they are to large industry. The Commission is currently examining how it can increase the share of finance going to small companies through these sources. For example, the European Social Fund will give priority to their requests for money to help them adapt to technical progress. The Commission has also proposed relaxing the European Regional Fund's criteria for grants to craft industry, tourism and service industries (regarding the financing of small and medium sized industries see Euroforum N° 16/75 and 17/75).

e) encouraging cooperation : cooperation between these companies can help them expand and the Commission has, for example, exempted them from certain competition regulations. The market share percentage which permits companies to make specialisation agreements has been raised from 10 to 15%

Total permissible turnover has been raised from 150 to 300 million European units of account (1 EUR = 1.2 dollars approx.)

The European Commission has just proposed a new regulation to facilitate the creation of European Cooperation Groups, to stimulate cooperation between small and medium sized companies and avoid frontier problems.

f) stimulate exports : in order to increase small companies' export capabilities, the Commission has been examining the possibility of helping groups who wish to export at the outset, extending the system of export consultants already introduced in some Member States and increasing involvement of small companies in trade fairs and exhibitions through increased financial support.

g) give small companies greater access to public markets and encourage them to make tenders at the Community level. The Commission keeps their representative organisations informed about public markets and explains Community mechanisms and procedures to be followed.

h) research and development : the Commission is currently developing industrial innovation projects which should be of particular benefit to small industry.

i) concerted action : the Commission will, whenever necessary invite professional organisations to exchange views on all problems facing them with a view to stimulating effective, coordinated solutions.

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