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** The main task facing those responsible for economic policy in the Community in 1976 would be to sustain the forces generating the upswing without allowing inflation to get out of hand again, said Mr Haferkamp, Vice-President of the European Commission, when he presented the report on the ECONOMIC SITUATION IN THE COMMUNITY.

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ANNEX 1 describes economic trends in the Community over the last few months and looks ahead to 1976.

** Designers working on the CAR OF TOMORROW will be faced with new restraints imposed by the energy crisis, the public outcry against pollution and the motorist's insistence on safer cars.

ANNEX 2 speculates about the shape of things to come.

** Close to 80 000 workers could benefit from EUROPEAN SOCIAL FUND assistance in the fight against recession. The European Commission intends to pump a total of fifty million units of account (1 u.a. = approximately US \$1.3) into the most vulnerable industries in the areas hardest hit by the recession.

ANNEX 3 explains why assistance will be forthcoming from the Community's Social Fund and on what conditions.

** The latest figures for registered UNEMPLOYMENT in the Member States are given below:

	Month	1975	Variations 1975/1976
Belgium	September	185 958 (7.0%) ³	+ 81 301 (+ 77.7%)
Denmark	August	114 200 (5.6%) ²	+ 69 100 (+ 153.2%)
Germany	September	1 005 495 (4.4%) ²	+ 448 514 (+ 80.5%)
France	August	797 000 (4.7%) ²	+ 368 700 (+ 86.1%)
Ireland	September	99 313 (8.9%) ¹	+ 30 514 (+ 44.3%)
Italy	July	1 069 900 (5.5%) ¹	+ 125 800 (+ 13.3%)
Luxembourg	August	157 (0.1%) ²	+ 111
Netherlands	September	195 471 (4.8%) ²	+ 66 238 (+ 51.3%)
Great Britain)	September	1 194 101 (5.2%) ²	+ 546 990 (+ 84.5%)
Northern Ireland)			
<p>¹% calculated on basis of labour force. ²% calculated on basis of total number of wage-earners. ³% calculated on basis of persons registered for unemployment insurance.</p>			

** THE NEXT MULTIANNUAL RESEARCH PROGRAMME to be carried out by the European Commission in the Community Research Centre will cover six fields:

- conventional nuclear energy
- applications of nuclear energy for purposes other than electricity generation;
- new energy sources;
- the environment and resources;
- measurements, reference standards and techniques;
- servicing.

Between 70% and 75% of these programmes will involve energy and environmental protection research at a total cost of US \$ 290 million spread over 4 years.

** About thirty non-governmental organizations working for the PROTECTION OF THE ENVIRONMENT in the Community were represented at a recent one-day briefing session on what the Community has been doing in this area. At the meeting the organizations urged that they be consulted on all decisions with environmental implications.

** In 1973 nearly 300 MAIL ORDER FIRMS were affiliated to the eight organizations forming the European Mail Order Association which has its headquarters at Johann-Klotz-Strasse 12, D 6000 Frankfurt/Main, Germany. In that year their turnover was as follows:

	Turnover in national currency	Turnover as percentage of total retail trade turnover
Belgium	Bfrs 4 500 million	1%
Germany	DM 8 750 million	3.6%
France	FF 5 700 million	1.5%
Great Britain	£845 million	4.2%
Italy	Lit 100 000 million	1%
Netherlands	Fl 500 million	1.2%
Sweden	Skr 630 million	1%
Switzerland	Sfrs 500 million	1.1%

** The COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES recently ruled that reduced fares for large families on public transport systems is one of the "social advantages" to which migrant workers in the Community are entitled. The problem was brought up by Mrs Cristini, widow of an Italian migrant worker who died in France following an industrial accident leaving her with four children. Mrs Cristini's request for a reduction was turned down by the French National Railways (SNCF) on the grounds that these reduced fares were reserved to French nationals and nationals of countries which had signed a reciprocal agreement with France. Since Italy had not done so, no reduction could be given. The Court has now ruled however that the "social advantages" referred to in the regulation on the free movement of workers within the Community include reduced fares for large families given by national railway organizations, even if the reduction is sought after a worker's death by his family still living in the host country.

** A scientific colloquium on "Principles and methods for determining ecological criteria on HYDROBIOCENOSIS" (i.e. aquatic flora and fauna) is being organized by the European Commission in Luxembourg on 5, 6 and 7 November. Only fresh water will be discussed as the main objective of the meeting is to define scientific bases for assessing the effects of pollution on aquatic flora and fauna and defining biological methods for determining the extent of this pollution.

** The European Commission has just published a short practical guide (Organisation et mise en oeuvre de la surveillance et du contrôle de la radioactivité à proximité des installations nucléaires), prepared by a group of experts from the nine Member States, to systems for CONTROLLING AND MONITORING RADIOACTIVITY in the vicinity of nuclear installations. One of the tasks assigned the European Commission by the Treaty establishing the European Atomic Energy Community is to protect the public against ionizing radiation. It is this which prompted the European Commission to publish the guide which gives a quick run-down of the problems involved in controlling and monitoring radioactivity and practical advice on handling particular situations. The publication can be obtained from the Publications Office of the European Communities, Boite postale 1003, Luxembourg.

** The Union luxembourgeoise des Consommateurs (ULC) - the Luxembourg consumers' association - has sent us this report on the latest developments on the CONSUMER front in LUXEMBOURG:

- . Luxembourg has had a "national brand" for wine, butter and honey for years past, a source of considerable satisfaction to consumers. In 1974 Elbling was added to the list of wines covered which means that the informed consumer can now select any Luxembourg wine with complete confidence. The Luxembourg government is also considering a long-standing request from the ULC to revive the national brand of spirits. Discussions on the matter have already begun.
- . In an effort to stabilize the unsettled household appliance market, where discounts are common but vary from customer to customer, the Minister for Economic Affairs, after lengthy discussions with importers, wholesalers, retailers and the ULC, has finally agreed to go some way towards meeting consumers' demands by reducing the price coefficient from 1.7 to 1.6. Although this decision will undoubtedly benefit consumers - it should reduce household appliance prices by about 6% - the ULC will continue to campaign for a coefficient of 1.5.
- . The ULC is also proposing to cooperate with the Ministry of Justice in setting up a Litigants Committee.

The ULC would remind readers that it moved to new offices on 1 June 1975. The address is Centre Allée Scheffer 21-25, Limpertsberg, Luxembourg.

- ** The identification of IRRADIATED FOODSTUFFS is the subject of a study undertaken at the Commission's request by Prof. Diehl. The study, which has been published in English only under the title "Qualitative and quantitative changes in the components of irradiated foodstuffs. Suggestions for further analytical studies as a contribution to the evaluation of wholesomeness", can be obtained from the European Commission, Health Protection Directorate, Avenue Monterey 23, Luxembourg.
- ** The EUROPEAN OFFICE FOR THE ENVIRONMENT (31, rue Vautier, B 1040 Brussels) has announced the organization of a conference in Louvain on 12 December 1975 on "The Environmental Impact Statement". This practice, already in operation in some parts of the United States and Great Britain but virtually without equivalent in continental European legislation, attempts to assess the impact that certain proposed developments (like hydroelectric dams, new factories, etc.) could have on the environment.
- ** More than 140 representatives of the industries concerned attended a conference recently organized by the European Commission on the Community's THERMONUCLEAR FUSION programme with particular reference to the JET (Joint European Torus) - see I&S No 29/75. The Commission feels that several decades of close cooperation, not only between the Member States but also between the industries involved, will be needed if the thermonuclear fusion programme is to be successfully completed. Failure to join forces to develop this new technique which requires such extensive investment and such vast scientific knowledge would be fatal. The Commission took the opportunity of reminding participants of the excellent results already obtained by European specialists in this field and the massive expenditure which would be necessary in the years ahead.

THE ECONOMIC SITUATION IN THE EUROPEAN COMMUNITY 1975-76

The main task facing those responsible for economic policy in the Community in 1976 would be to sustain the forces generating the upswing without allowing inflation to get out of hand again, said Mr Haferkamp, Vice-President of the European Commission, when he presented the report on the economic situation in the Community. He stressed that this task made economic policy coordination at Community and international level more necessary than ever.

The scale of the recession in 1975

Since the middle of last year and more particularly in the first half of 1975, the Member States have gone through the severest recession since the war. The conjunctural situation has been characterized by falling demand and production, a low rate of capacity utilization, an increase in unemployment, and, despite some success in combating inflation, a continuing rise in consumer prices, still with marked discrepancies between one country and another.

In the middle of 1975, industrial production had reverted in most Member States to its level at the beginning of 1972. For the Community on average, it had dropped by some 12.5% in a year. However in several member countries the downward phase of the recession seems to have ended and the economic climate to have begun to improve.

For the first time since the war, the volume of world trade will fall in 1975 (by 5-6% at an annual rate). Between the second half of last year and the first half of this, the decline in economic activity led, for the Community, to a reduction of about 20% by volume in the export demand generated by the industrialized countries. This reduction was not offset by the continuing growth of imports by the OPEC countries (estimated at 45% in volume terms in 1975). In fact at present these countries account for only about 10% of the Community's exports to third countries.

In 1975, the decline in export demand will mean for the various Member States a fall in the volume of exports compared with 1974 ranging from 4% (United Kingdom) to 11% (Germany); only Italy will more-or-less succeed in holding its exports to the same level in real terms.

Intra-Community trade has declined even more than export demand generated by third countries taken as a whole.

Imports of member countries have in general declined more sharply than exports. At the same time, the terms of trade have improved, particularly as raw material prices have declined. Except in the case of the United Kingdom, the heavy current account deficit run by Community

countries in 1974 will probably be worked down to very modest levels in 1975. The Community's current account will show a slight surplus, despite the fact that the German surplus will contract by more than half (by some DM 10 000 million).

Economic policy in 1975

Only Germany and the Netherlands have been able to follow clearly expansionary policies since the beginning of 1975. Given the seriousness of domestic disequilibria and external deficits, most other member countries have only very gradually been adjusting their demand management policies towards reflation. Consequently, and also as a result of structural rigidities and the long time-lags before the measures, once taken, have begun to bite, economic policy in the Community has not shown, on the whole, the expected results.

Since the autumn of 1974, the authorities, at first in a number of countries and then in all the countries, have been gradually moving away from a restrictive monetary policy. It is only in the course of 1975 that monetary policy has become steadily more expansionary. The strength of the measures taken and their timing have varied between countries. Most interest rates are, generally speaking, a good deal lower than in the autumn of 1974, owing to the high propensity to save and the weakness of demand for funds from firms and individuals. Since the spring of this year, short-term rates have steadily drifted downwards in the Community whilst picking up again in the United States. This scissors movement and the improvement in the American conjunctural situation and balance of payments has strengthened the dollar. The currencies in the "snake" had depreciated against the dollar by an average of 11% at the end of September, compared with their best level in the first half of 1975. The corresponding figures for the lira and sterling are 7% and 14% respectively.

While, in most Member States, the budgets adopted for 1975 were part of a cautious, even restrictive, policy dictated by the severe disequilibria in the economic situation in the autumn of 1974, the actual administration of the budgets has, during 1975, been redirected so as to support economic activity. Most governments have made several adjustments to their budgets during 1975 in an attempt to sustain the level of effective demand. Thus budget deficits have swollen considerably.

Outlook for the economic situation in 1976

On what is at present the most likely assumption - that the stimulus afforded by the expansion in world trade, the reflationary measures taken by the public authorities, the spontaneous internal factors of recovery and renewed confidence will exert a combined impact - the economy could well start to pull out of the recession between now and early 1976.

In this case, it would be reasonable to expect the gross domestic product in the Community as a whole to expand by 3 to 3.5% in real terms in 1976, given that it will have fallen by 2.5% in 1973.

The strength of the recovery in demand will depend on the buoyancy of the world economy in the months ahead. Growth of around 5% in the volume of world trade (volume of imports, excluding Community imports) seems reasonable in 1976, in spite of the deflationary impact of the recent 10% rise in the price of oil.

The programmes to stimulate economic activity recently adopted in Italy, Germany, France, Denmark and the Netherlands should produce results in coming months, both in the capital goods industries and in the construction sector. The results will be all the better insofar as the official programmes are reflected in orders promptly placed and insofar as the cautious approach to spending adopted by the local authorities in certain Member States can be countered more energetically.

The reconstitution of stocks will also boost production, and this process seems already to have got under way in some Member States; it could account for an increase of 1% or more in the gross national product and at the same time stimulate imports of raw materials.

There can be no lasting recovery in the economy until households' normal propensity to consume has been restored. However, as long as the uncertainties affecting incomes and employment policies persist, private consumption demand will remain depressed, while the propensity to save will remain strong. In order to bolster confidence, it is just as important to start curbing inflation as it is to bring about close cooperation between unions and management in respect of incomes policy, employment policy and social policy.

With so many firms running below or well below capacity, there is little chance that private investment will substantially boost demand in the months ahead.

Recovery of output will occur at different times and with different growth rates in different countries.

In the first instance, the recovery of expansion will entail an increase in the number of hours worked per person employed, with less part-time working. The numbers of wholly unemployed will probably begin to decline only from mid-1976 onwards. For the average of 1976, the numbers of persons unemployed in the Community could well increase by half a million compared with the average for 1975, to reach nearly 5 million.

Although the recovery is likely to be slow, the dangers of inflation will be ever-present. Wages and salaries could well respond too quickly to the recovery of the economy. Managements, for their part, will be tempted to restore profit margins more rapidly than in the past. Lastly, the upward movement in import prices, of raw materials for instance, and more particularly the recent increase in oil prices, are bound to affect internal prices. It is therefore to be feared that the tempo of the upward movement in consumer prices in the member countries of the Community will be scarcely slower than at present. A rate of inflation below 10% in the Community as a whole could, therefore, only be achieved through major efforts on the part of member countries.

The Community's current account, as that of certain of its members in particular, should begin to worsen in 1976. A deterioration in the terms of trade is also to be expected.

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All in all the economic situation in the Community will remain precarious in 1976. It cannot rely, for the present at least, on much economic stimulus from outside. Indeed its weight in international trade obliges the Community itself to contribute to world economic recovery. The Member States have a similar responsibility in the Community context.

Commission forecasts of changes in gross domestic product, consumer prices and unemployment in 1976 for the Community, the United States and Japan are summarized below.

Commission forecasts of changes in the main aggregates in 1976 as against 1975

	Gross domestic product (GDP)	Consumer prices	Unemployment rate (as % of civilian labour force)	
			1975	1976
Denmark	+ 4%	+ 8%	4.5%	3.7%
Germany	+ 4%	+ 5.5%	4.5%	4.6%
France	+ 5%	+ 9%	3.9%	4%
Ireland	+ 2.5%	+ 16%	8.4%	10.1%
Italy	+ 3%	+ 12%	3.7%	3.9%
Netherlands	+ 2.8%	+ 10%	4.4%	5.2%
Belgium	+ 2.5%	+ 10%	4.8%	5.6%
Luxembourg	+ 4%	+ 8.5%	0.7%	0.7%
United Kingdom	± 0%	+ 15.5%	3.6%	5.3%
Community	+ 3.3%	+ 9.6%	4.1%	4.6%
USA	+ 5%	+ 8.5%	8.5%	8%
Japan	+ 6%	+ 6%		

THE CAR OF TOMORROW

The energy crisis, the public outcry against pollution, and the motorist's insistence on safer cars are placing new restraints on the motor industry. A specialist working for the European Commission has tried to imagine what the car of tomorrow will be like.

In the good old days an engineer sitting down to design a car could give free rein to his imagination. He was limited only by the materials at his disposal. Today, although he can call on a wide range of materials, components and sub-assemblies, his freedom of action is limited by increasingly restrictive regulations and by the imperatives of tomorrow's market (moderate fuel consumption, safety, sturdiness, longevity and comfort). The designer today is faced with a real challenge.

It is obvious that tomorrow's car will represent a compromise between quality and cost. On the ecological front, for instance, the designer is faced with the problem of striking a balance between the elimination of air pollution and the cost of this to the motorist. It has been proved that relatively modest anti-pollution measures can produce spectacular results but costs begin to soar dramatically with an insistence on complete elimination. This is a classic example of the need for designers and legislators to get together to establish a cost-benefit balance for anti-pollution measures.

As far as design is concerned, it seems likely that front-wheel-drive will become standard. It is inexpensive to manufacture and enables the designer to provide the best possible rear suspension; this in turn means better roadholding and greater safety. Because of the load it places on the front suspension, it has long been limited to small- and medium-sized cars. However, it is now finding acceptance in the higher price ranges, witness the Renault 30, thanks to the use of a light-alloy engine which makes it possible to provide an acceptable front suspension without upsetting weight distribution between front and rear. Heavier vehicles in the higher price range will probably stick to the "front-engine - rear-wheel-drive" formula though the transmission might well be moved back towards the rear axle to secure improved weight distribution.

There is also considerable room for improvement in body design, particularly in the matter of aerodynamics. The car of tomorrow is likely to come to a point at the front and slope slightly towards the rear. A good aerodynamic line could mean a 6% to 8% saving in fuel consumption.

Another major factor in saving fuel is vehicle weight. As a general rule a 10% reduction in weight means a 4% to 5% reduction in fuel consumption. The computer is the designer's invaluable ally in calculating vehicle superstructures. With its help he can now produce an

optimum body shape, cutting down on weight while retaining sufficient rigidity and guaranteeing controlled buckling in the event of an accident. Which brings us to the problem of using new materials, such as light alloys (aluminium-magnesium) and plastics, which are lighter than steel and remarkably resistant to corrosion. Some materials experts advocate the continued use of steel for load-bearing structures. Increased protection against corrosion could be provided by double galvanization on both surfaces. Indeed this method is already being used by some manufacturers. Other experts, particularly in the United States, recommend the use of light alloys and plastics. They claim that the weight of aluminium in the average car will triple and the weight of plastics double by the end of the Eighties. Incidentally, the Commission recently asked the Bureau d'Information et de Prévisions économiques (Bureau of Information and Economic Forecasting) in Paris to carry out an in-depth study into the replacement of steel in the automobile industry. Its findings should be available in a few months' time. However, it must not be forgotten that both aluminium and plastics are energy-intensive products. It takes 6.7 times as much energy to produce one kilogramme of aluminium as it takes to produce one kilogramme of steel. Weight for weight, aluminium is still 2.27 times more "energy-sensitive" than steel.

The final solution will probably be the combined use of a number of basic materials: steel plate, made more rust-resistant by advances in electrophoretic treatment, will be chosen for load-bearing structures; light alloys will be used to die-cast certain components and sub-assemblies (engines, gear boxes) and to manufacture accessories. However, we must not be too optimistic about overall weight because stricter regulations on safety systems and heavy anti-pollution equipment could cancel any gain on this front.

Since the energy crisis automatic transmissions have lost ground steadily because they involve additional fuel consumption of the order of 7% to 10%. They could regain this ground, particularly in medium-priced cars, if research now under way succeeded in simplifying the mechanism and reducing losses caused by friction and creeping. Overdrive is an interesting and economical way of reducing fuel consumption on motorways by some 8% to 10%.

Advances in semi-conductors and integrated circuits mean that total integration of carburation and ignition is around the corner. These functions will be controlled by a small electronic device, which will be fed by sensors with information on factors external to the engine (i.e., water temperature, atmospheric pressure, load etc.) and guarantee optimum combustion with minimum emission.

The ignition system of the future will be entirely transistorized and will be equipped with a foolproof magnetic contact breaker adjusted for the life of the engine, the spark being controlled by the electronic device mentioned above.

THE EUROPEAN SOCIAL FUND AND THE FIGHT AGAINST RECESSION

Close to 80 000 workers could benefit from European Social Fund assistance totalling fifty million units of account (1 u.a. = approximately \$ US 1.3) if a proposal which the European Commission recently forwarded to the Community's Council of Ministers is adopted.

This proposal is designed to help workers in the industries hardest hit by the recession, notably those located in regions with the highest unemployment rate. Article 4 of the Council Decision of 1 February 1971 on the reform of the European Social Fund allows the Fund to intervene where the employment situation "calls for specific action to improve the balance between supply of and demand for manpower within the Community".

The Commission based its proposal on the probable development of the employment situation. Despite a slight seasonal recovery of the labour market in Denmark, Germany and France, there has been no sign of improvement in any of the Member States in recent months. Indeed, unemployment is expected to get worse in the early months of 1976.

Adoption of the Commission's proposal would allow the European Social Fund to provide assistance for operations designed to facilitate the retraining and geographical mobility of persons who are out of work or undergoing retraining in an industry or branch of industry where the decline in operations provoked by the recession has led to large-scale dismissals. In this context stopgap solutions such as part-time or short-time work could be regarded as dismissal, provided that these measures had been in force for a relatively long period, say three consecutive months.

The threshold for entitlement to assistance from the European Social Fund would be determined by the level of unemployment. The Fund would intervene in a given sector once unemployment in that sector became distinctly higher than the Community average.

The reference period would date from the beginning of 1974 when the recession first began to affect employment figures.

In response to the concern expressed by the Council in June 1975, the regions "most affected by employment problems" will have a priority claim on assistance from the Fund. These are defined as regions where the increase in unemployment or unsatisfied job demands has been well above the national average since the beginning of 1974.

Each operation for which Fund assistance is sought would have to form part of a special programme drawn up by an industry, a Member State, a region or even an undertaking. This

programme would have to indicate the economic context, the scope of the measures taken, the views of both sides of industry and the level at which consultation took place. In this way the Commission hopes to ensure that schemes assisted by the Fund present adequate guarantees of desirability and effectiveness and permit gradual harmonization with the Community's overall economic and social guidelines.