

### SUMMARY

- P. 2 COMMUNITY FINANCES: Common sense prevails after all  
EC Council and Euro-MPs finally agree on the Community budget for ... 1986.
- P. 3 NUCLEAR ENERGY: EC/US to cooperate on research in radiation protection  
EURATOM and the United States agree to work together.
- AIR TRAVEL: Ten European companies in the dock  
The European Commission gives them two months to free air fares.
- P. 4 SMALL AND MEDIUM-SIZED ENTERPRISES: More "European" shortly?  
European Commission backs the creation of a services company for SMEs.
- P. 5 OVERSEAS TERRITORIES: A new stage since July 1  
Territories from New Caledonia to the Falklands are covered by a new cooperation regime.
- P. 6 OIL: Eastern Europe was the major supplier of petroleum products in 1985  
OPEC takes a back seat to Eastern Europe.
- RETIREMENT: Continuing unemployment effects retirement age in EC  
The European Commission reports on national policies.
- P. 7 CINEMA: Euro-MPs want to encourage films for the big screen  
Four Euro-MPs ask for closer cooperation between cinema and television.
- AID: Commission favours a new convention on aid to Palestine refugees  
The European Commission asks the Twelve to increase Community aid.
- P. 8 SOUTH AFRICA: Gold, diamonds and coal ... but still only 2% of trade  
The economic background to the sanctions debate.
- P. 9 PUBLIC OPINION POLLS: Euro-pessimism is on the wane  
The Europeans are a bit more satisfied with life and with Europe.

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COMMUNITY FINANCES: Common sense prevails after all

There is nothing like a good crisis to set the European Community's institutions working overtime. When the European Court of Justice ruled in early July that the Community's 1986 budget was illegal, it sparked off a hectic series of negotiations involving the EC's key institutions.

Exactly a week later the European Parliament had adopted the new budget by 355 votes to 27, thus averting a financial crisis which could have brought the Community to its knees. The UK's Treasury Minister, Peter Brooke, described the vote as a victory for common sense - and Europe.

At ECU 35,200m. the new budget is some 2,000m. larger than the one which the Court declared null and void. It includes an extra ECU 1,100m. for agriculture and, unusually, it provides for a "negative reserve" to balance the books, although the European Budget Commissioner, Henning Christophersen, claimed this accounting device appears in some national budgets also.

A similar display of energy last December might well have prevented the budgetary crisis from breaking out at all. The sum which separated Council and Parliament at that time was no more than ECU 629m., a trifle in relation to a budget totalling around ECU 33,000m.

The Court's advice to the EC's budgetary authorities, the Council of Ministers and the European Parliament, was short and blunt. It told them to take up where they had left off in December when, despite the deadlock in the negotiations with the Council, the Parliament's President, Pierre Pflimlin, declared the budgetary process complete and the 1986 budget adopted.

The Court was stating what has been clear since the Community was established: that its successful operation requires agreement between its various institutions, even if this means a compromise. The judges in fact declared they were not concerned with deciding whether Council or Parliament had, by its attitude during the negotiations in December, prevented an agreement. By its ruling it implicitly held that both were equally to blame.

The Court put responsibility for a Community budget where it belongs, on the two budgetary institutions. It clearly does not expect to be appealed to again. But there was more than money at stake, of course. Both the Council and the Parliament were determined last December to assert their powers. By its ruling the Court made clear that its role is not to intervene in the process of negotiations between them but to make sure the two institutions keep within the limits of their powers.

\* 1 ECU = UK£ 0.64 or IR£ 0.71.

NUCLEAR ENERGY: EC/US to cooperate on research in radiation protection

Despite years of research, much remains to be done to ensure effective protection against nuclear radiation, as the accident at Chernobyl reminded us in dramatic fashion. Europeans and Americans, for their part, have decided to join forces so that research into radiation protection can be pushed ahead faster.

On July 7 the Director General for Science, Research and Development in the European Commission, P.M. Fasella, and the U.S. Ambassador to the European Communities, J.W. Middendorf, signed a Memorandum of Understanding between EURATOM, the European Community's nuclear wing, and the U.S. Energy Department.

This provides for cooperation in studying the effects of radiation on health and the environment. It will take the form of exchanges of scientific and technical information, samples and equipment, on the one hand, and research workers on the other. There is also to be joint sponsorship of seminars and workshops as well as joint research.

For the last 25 years the Community has been conducting research into radiation protection. In fact nearly one-third of all research in this area in the member states is being carried out under Community programmes. The research to be jointly conducted with the U.S. will be part of a Community programme for 1985-89, which has a budget of ECU 58m.\*

\* 1 ECU = UK£ 0.64 or IR£ 0.71.

AIR TRAVEL: Ten European companies in the dock

Nearly all the European Community's major airlines have been playing fast and loose with the Community's rules on competition. The European Commission, which claims to have evidence collected during enquiries launched five years ago, has now given them two months in which to end their illegal practices.

Ten companies in the 10-nation Community\* are concerned; only the Luxembourg airline, Luxair, has found favour in the Commission's eyes. The main infringements of the Community's competition rules relate to agreements on fares and numbers of passengers, as a result of which air fares in Europe are much higher than elsewhere in the world.

If the airlines refuse to end the infringements, the Commission will ask the national governments to take the necessary measures. But as the latter often are on the side of the airlines, the prospects for cheaper air tickets are not exactly bright.

\* without Spain and Portugal, which are covered by a separate public opinion poll, given their recent entry into the Community.

### SMALL AND MEDIUM-SIZED ENTERPRISES: More "European" shortly?

From next year the European Community's small and medium-sized enterprises (SMEs) should find it easier to stretch their horizons to take in the entire 12-nation Community. The fact is the heads of the EC's long-term credit institutions have just decided to set up, with the help of the European Commission, a new company, EUROCOFIN, to help SMEs implement their projects, especially cross-frontier projects.

The SMEs have a key role to play in the 1980s, both in job creation and technological innovation. American companies have provided ample proof of this, as have certain European ones. The European Commission is so convinced of this that it has taken advantage of the Community's enlargement this January to ask Abel Matutes, one of its members, to look after credits, investments and the SMEs.

The creation and development of SMEs requires money, of course. But small firms find it much harder to lay their hands on it. In the same way, the SMEs are hampered more than their bigger competitors by the incomplete nature of the European common market - by its internal frontiers and the differences between national regulations.

EUROCOFIN will deal with problems of this kind on behalf of SMEs for a fee. It will help them launch new initiatives, such as the establishment of joint subsidiaries by companies from different member states, or cooperate across national frontiers.

To be set up before the end of the year, EUROCOFIN should be operational by next year. Loans, and other forms of help, from the European Commission and the European Investment Bank will enable it to keep going during the first three, almost certainly profitless, years of its existence. EUROCOFIN is likely to have its headquarters in Luxembourg, which is home to the European Investment Bank and the European Commission's credit and investment departments.

EUROCOFIN itself will be an SME of sorts. To finance its activities it will call on the credit institutions that have set it up, on other Community credit institutions, the EIB, the European Association for Venture Capital and, of course, the European Commission. Thanks to its experience of European research programmes, the Commission will be able to put EUROCOFIN in touch with high-flying, innovative European SMEs.

OVERSEAS TERRITORIES: A new stage since July 1

Until 28 February 1990 the cooperation between the European Community and the overseas territories of its member states will be very similar to that between the Community and the 66 African, Caribbean and Pacific developing countries linked to it through the Lomé Convention. This is clear from the latest measures in force since July 1, which include an aid package of ECU 120m.\*

The 25 overseas territories are scattered all over the globe. They are at one and the same time part of the Third World, colonies and far-flung regions with very close ties to their European "mother" countries. Some are mainly exotic, such as Montserrat or Curaçao, others have serious political problems, such as New Caledonia and the Falkland Islands. Some belong to France, others to the Netherlands, yet others to the U.K.\*\*

These Atlantic, Caribbean and Pacific Islands have a total population of 711,000, which is roughly equal to that of Antwerp or Glasgow. Three of them are "densely" populated: the Dutch Antilles (196,000), French Polynesia (168,000) and New Caledonia (145,000).

As under the Lomé Convention, the Community's aid to the overseas territories covers all areas of economic activity, from agriculture to transport, not forgetting fisheries and industry, and including energy, trade and cultural and social cooperation.

As in the past, virtually all goods originating in these territories enter the EC duty-free. Under the new regime the territories also enjoy, like the Lomé Convention countries, the stabilization of their export earnings from agricultural commodities (STABEX). And they can ask for help under the special financial aid facilities for minerals (SYSMIN).

As for financial and technical cooperation, it is to receive a total of ECU 120m. Some ECU 100m. of this will be provided by the European Development Fund, set up under the Lomé Convention, and another ECU 20m. will be lent by the European Investment Bank. In the framework of their development programmes the French and Dutch overseas territories should receive ECU 26.5m. each and the British territories ECU 10.5m.

The Community wants to take advantage of this new, improved regime to encourage the overseas territories and the Lomé Convention countries to work together.

\* 1 ECU = UK£ 0.64 or IR£ 0.71.

\*\* Greenland (Danish - 52,000 inhabitants) has a regime all its own.

OIL: Eastern Europe was the major supplier of petroleum products in 1985

The 12-nation European Community imported more petroleum products from Eastern Europe last year than from OPEC, although the latter remains by far the largest supplier of crude oil. Some 36% of its total imports of 92m. tonnes came from Eastern Europe, as against 32% from OPEC. The Soviet Union alone supplied one-quarter of total Community imports, notably of gas diesel oil.

These provisional figures have been compiled from importers' declarations by the Community's statistical office, Eurostat. They show large variations from one member country to another. Almost two-thirds of Italian imports came from OPEC countries, as compared to a mere 5% in the case of Denmark and Portugal. The major OPEC suppliers last year were Algeria and Kuwait.

Two countries - the Federal Republic of Germany and the Netherlands - accounted for two-thirds of all Community imports from Eastern Europe. The Soviet Union also supplied as much as 86% of Ireland's admittedly small requirements.

Western suppliers to the Community included the United States (7%), Sweden (5%) and Norway (3%). Heavy oils - diesel and fuel - accounted for two-thirds of all imports. The balance consisted mainly of naphtha.

RETIREMENT: Continuing unemployment effects retirement age in EC

An ageing population and continuing unemployment are the two factors which appear to influence most national policies with regard to retirement age in the European Community. A report by the European Commission points out that the range of provisions governing the transition from work to retirement has grown over the last few years, although there are considerable variations from one country to another.

However, the moves towards flexible retirement are partly dictated in all member states by the fight against unemployment. In lowering the statutory retirement age, for example, governments are trying to encourage older workers to free existing jobs, so that they can be redistributed among the jobless. Measures taken in recent years to keep people from receiving both a pension and income from a job can also be traced to the rise in unemployment.

The report was prepared by the Commission under the terms of a 1982 recommendation of the EC Council of Ministers setting out the principles of a Community policy on retirement age. This requested the Commission to submit a progress report to the Council.

CINEMA: Euro-MPs want to encourage films for the big screen

Thanks to high technology, film making has come a long way since the days of George Méliès, who made 4,000 films before 1914. But high tech - in the form of satellite and cable television and videocassettes - is also emptying cinema houses.

The situation has alarmed four Italian Euro-MPs, who want the European Community to step in with a well-placed Community directive or two. They have reminded the European Commission that box-office receipts account for three-quarters of the film industry's revenues, and suggested the directives encourage television and cinema to cooperate in the development of the audiovisual market.

The Commission takes the view that it is still too early for legislation at the Community level. Better coordination between the purveyors of films for cinema and television is bound to come about, given the rapid growth in the demand for new programmes for the new television channels.

This demand in fact represents a challenge for the Community's cultural industries, which must be reinforced, according to the Commission. Hence its proposal last year for a Council regulation to provide Community aid for non-documentary cinema and television co-productions.

AID: Commission favours new convention on aid to Palestine refugees

The European Commission wants a new, 3-year convention between the European Community and UNRWA\*, the U.N. agency set up in 1949 to help Palestinian refugees. As the present convention expires at the end of the year, it has asked the Council of Ministers to open negotiations, given the importance the member states attach to the help UNRWA is giving 2 million refugees.

Under the present convention, the EC has provided the UN agency aid totalling ECU 90m.\*\* over the 3-year period 1984-86. This includes both food aid and a cash contribution, which has averaged ECU 17m. a year. The Commission has proposed that the Community's cash contribution be raised to ECU 20m. a year under the new convention (1987-89). The volume of food aid would be fixed each year in keeping with the Community's usual procedures.

Since 1972 the EC has signed five conventions with UNRWA. They provided for cash aid in favour of the agency's educational programmes and cash and food aid for its programmes which supply food rations to refugees in especially reduced circumstances.

\* United Nations Relief and Works Agency for Palestine Refugees in the Near East.

\*\* 1 ECU = UK£ 0.64 or IR£ 0.71.

SOUTH AFRICA: Gold, diamonds and coal ... but still only 2% of trade

Ever since the European Council decided in June to ask "the future U.K. Presidency to visit South Africa", attention has focussed on the comings and goings of Sir Geoffrey Howe, the British foreign secretary and President of the Community's Council of Ministers until end December. But the European Council also committed the Community to consultations "with other industrialised countries on further measures which might be needed ...".

Those specifically mentioned by the Council include a ban on new investments and imports of coal, iron and steel and gold coins. But just how big is the Community's trade with South Africa?

The short answer is that imports represent about 2% of total extra-EC imports. Last year they amounted to ECU 9,146m.\*, 8% more than in 1984. Four countries took 85% of these imports: Italy (26%), the Belgo-Luxembourg Union (24%), the U.K. (20%) and the Federal Republic of Germany (15%).

Among the Community's main imports are diamonds (20% of last year's total imports); gold (19%); coal (11%) and iron ore (5%). Imports of coins and iron and steel products were much smaller - 1.5% and 0.5% respectively.

South Africa takes around 2% of the Community's extra-EC exports. Last year these exports fell by 24% to ECU 5,544m. Two countries accounted for 72% of the total: Germany (41%) and the U.K. (31%).

The South African market is more important to the Community for certain manufactured products than its 2% share suggests. It took 9% of total Community exports of telephone apparatus and 7% of exports of motor vehicle parts in 1984. Other important EC exports include internal combustion engines and data processing machinery (5% each).

The Community is South Africa's major trading partner. It supplies some 38% of its imports, followed by the U.S. (15%) and Japan (10%). The Community takes around 20% of South African exports, as against 9% by Japan and 7% by the U.S. (Based in 1982 trade figures, the latest available).

Information on investments is hard to find. However, balance of payment flows can be used to chart changes from one year to the next. They show that U.K. direct investment (excluding oil companies) rose by ECU 450m. a year on average between 1980 and 1983. Investment by the rest of the Community (direct, portfolio and other long-term capital transfers) rose by ECU 300m. a year on average between 1980 and 1984.

\* 1 ECU = UK£ 0.64 or IR£ 0.71.



PUBLIC OPINION POLLS: Euro-pessimism is on the wane

People throughout the European Community felt greater satisfaction this spring, while attitudes towards the Community itself were, on the whole, relatively more favourable than in previous years. These are the broad conclusions reached by the latest Eurobarometer, the Community-wide public opinion poll carried out for the European Commission in March and April. Euro-pessimism, as Carlo Ripa di Meana, the European Commissioner who is responsible for "A People's Europe", has underlined, is on the wane.

Some four-fifths of those polled claimed to be satisfied with their lives. This was the highest percentage since the first poll of this kind in 1973. Around 22% declared themselves "very satisfied" and nearly 60% "rather satisfied".

In the same way, roughly four-fifths of the Community population claimed to feel happiness. Here again the percentage had never been so high, whether in the last three years or during the first poll of this kind in 1975. About a fifth of the Europeans claimed to be "truly happy" and some two-thirds "happy enough".

Mr Ripa di Meana attributes this optimism mainly to the recent improvement in the economy. However, the euphoria does not seem to be general. The Belgians do not appear all that happy, compared to previous years. And satisfaction with life has spread less quickly among the Irish.

Attitudes towards Europe seem more positive than during the last three years. Nearly four-fifths of those polled declared themselves in favour of the unification of Western Europe. They were in a majority in every member state, including Denmark, where it has not always been so.

Nearly two-thirds of the Community's inhabitants thought their country's membership of the European Community to be a good thing; only 10% thought otherwise. Those polled, therefore, were more "European" than during the last three years and over the period 1974-82.

Carlo Ripa di Meana has put this down to the Community's enlargement, the Danish referendum this February and the adoption, in February also, of the "Single European Act", an unfortunate name for an important achievement.