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## SUMMARY



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## FINANCE: Another step towards a single capital market

From next February European investors will have a wider selection of securities to choose from, while European companies, whatever their size, will find it easier to obtain long-term credits. These are two of the immediate benefits resulting from the decision to liberalize capital movements, taken on November 17 by the finance ministers of the 12-nation European Community.

In practice, liberalization will be limited initially to the Community's seven northern members - Belgium, Denmark, France, Germany, Luxembourg, the Netherlands and the U.K. From next February, the seven national markets for stocks and bonds, and also unlisted securities, will form a single European market.

The other five countries - Greece, Ireland, Italy, Portugal and Spain - have been allowed to maintain their exchange controls because of their economic difficulties. They must give them up as soon as possible, and in the case of Spain and Portugal by 1990 and 1992 respectively.

These steps towards the liberalization of capital movements do not involve any important changes for two of the seven: the U.K. and Germany have already abolished the exchange controls covered by the Council decision. But the other five, and especially France, will have to make substantial changes.

The latest Community directive marks an important stage on the road to the complete removal of all controls on capital movements by 1992. In fact the free movement of capital, along with persons, goods and services, is an essential element of a genuine common market. However, this is the first decision of its kind since 1962.

It should also reinforce monetary cooperation among the Community's member states and extend the role of the ECU, Europe's embryonic currency.

Addressing the press, Jacques Delors, President of the European Commission and father of the new directive, underlined the fact that the EC Council of Ministers had adopted it less than five months after receiving the Commission's draft. The Council has seldom acted with such celerity.

## CHERNOBYL: Commission report concludes it can't happen here

Seven months after the disaster at the Chernobyl nuclear power plant the question "Could it happen here?" no longer seems quite as urgent. Now a report from the European Commission concludes that the accident which severely damaged the No. 4 unit at Chernobyl cannot be considered as either a precursor or a warning of specific relevance to the European Community.

The report, which is addressed to the EC Council of Ministers and European Parliament, attributes the accident to a combination of (1) violations by the staff of instructions and operating rules and (2) design faults in the Soviet RBMK reactors. Even so, the accident could have been averted but for the fact that the reactor's designers relied more on proper operation action than on automatic safety circuits.

Serious reactor accidents, the report notes, are not impossible by definition in the Community. But it puts the probability of such accidents occurring as very low for three main reasons: a greater concern for safety in the design of nuclear reactors, more rigorous operator training in all Community countries and reactor designs which include automatic safety systems that can overrule the actions of operators when the safety of the plant is seriously threatened.

As for the probability of another Chernobyl-type accident occurring in the Soviet Union itself, the report points to the steps being taken by the authorities to reinforce safety levels of existing and future RBMK reactors. This, together with the very unusual character of the events that led to the Chernobyl accident, make it extremely unlikely that it will be repeated.

However, there is no room for complacency, as the report makes clear; in fact it lists four broad categories of action which could add to the safety of nuclear installations. They include an exchange of information between countries, so that each can benefit from the knowledge and experience of the others, and periodic safety reviews on individual reactors or classes of them.

The report notes the importance of the human factor in achieving safety. It wants the expert teams of scientists and engineers built up over the years to be preserved, together with the facilities for safety research. The report also favours technological exchanges to ensure that all countries, including developing countries, with nuclear power plants are fully capable of operating them safely.

## EMPLOYMENT: An emerging consenus between employers and trade unions

Trade unions and employers on the whole approve the strategy to fight unemployment put forward by the European Commission in its latest annual report on the economy (see Eurofocus 32/86). In fact representatives of the Union of Industries of the European Community (UNICE), the European Centre of Public Enterprises (CEEP) and the European Trade Union Confederation (ETUC) called on the governments of the 12 European Community countries to implement it when they met in Brussels on November 6.

The three organizations declared themselves ready to contribute to a European policy to fight unemployment. In a "joint opinion" UNICE, CEEP and ETUC listed the 10 points they agree on and which, taken together, form the broad outlines of a policy for relaunching the European economy and creating new jobs.

The three organizations notably favour increased investments, a continuation of the fight against inflation, the completion of the European common market and the development of European research and technology. They feel that wages should rise more slowly than productivity and that training programmes should be seen as an investment.

The meeting on November 6 was in the context of the "social dialogue" launched last year at the initiative of the President of the European Commission, Jacques Delors. The Commission believes that employers and workers have an important part to play in the successful implementation of the strategy for Community cooperation in growth and employment which it put forward last year for the first time.

Although the twelve member states have approved the principle of it, the strategy has been hardly implemented so far. This led the Commission to present a new version of it recently. It has also proposed certain priority actions to fight unemployment to the Standing Committee on Employment at its meeting on November 7. This Committee is made up of representatives of the Twelve, the European Commission, employers' organizations and the trade unions.

The Committee has accepted certain of the Commission's proposals, especially those dealing with the development of training programmes for professionals and the fight against long-term unemployment. But there are sharp differences among the member states themselves.

## DEVELOPMENT AID: Community offer of help with population programmes

The 12-nation European Community is offering developing countries help in drawing up and implementing population policies and programmes, if requested. A decision to this effect was taken by the Community's development ministers when they met in Brussels on November 11.

Ministers clearly were responding to the alarming news from the population front. They noted with concern that during the 1970s economic growth in the poorest developing countries barely kept ahead of population growth. In fact exceptionally high population growth rates are likely to act as a brake on economic growth in most developing countries, in their view.

The Development Council adopted not only guidelines for action but also the principles that are to be the basis of the Community's activities in this sensitive field. Community aid is to be given only in support of programmes which are neither coercive nor discriminatory, but respect the fundamental right of individuals and couples to decide for themselves how many children they want. Ministers also agreed that population programmes must be treated as an integral part of economic and social development, and be adapted to local conditions, without neglecting the needs of the individual, the family and the wider community.

The guidelines approved by the Development Council will allow the Community to help developing countries in a variety of ways. Given the importance of reliable statistics in the preparation of population programmes, the Community has indicated to help developing countries collect and analyze population statistics. It has also offered to help them carry out the necessary socio-economic studies.

Community aid will also be available to countries that set up programmes to help couples through educational and information campaigns. The Community will make sure, however, that family planning services are voluntary and integrated into health programmes for mother and child.

Development ministers saw a clear link between the status of women, their level of education and the number of children in a family. The Community will be especially attentive, therefore, to programmes which seek to improve women's education, their income-earning capacity and their health.

Given the rapid, uncontrolled growth of Third World cities, the Community, not surprisingly, has also offered to help developing countries tackle the underlying causes of the rural exodus which is feeding the urban crisis.

AGRICULTURE: How to turn back the milk flood

A strict application of milk quotas, including the tightening up of loopholes, and a reduction in the guaranteed intervention purchases are the key elements of the package the European Commission put forward in mid-November to rid the European Community of its surplus milk. The measures now proposed complement those put forward in September, and would result in a 9.5% reduction in milk production by 1989.

The dramatic situation facing the Community was described by the European Agricultural Commissioner, Frans Andriessen, to the press. It explains why the Commission is proposing new measures when those it sent to the EC farm ministers only two months ago are still on the table.

The milk surplus is expected to reach at least 9.5 million tonnes this year, and could even be as high as 15 million tonnes, according to a recent Commission report. These estimates take into account both the measures adopted in 1984 and subsidized sales, both within the Community itself (of cheap butter, for example) and on export markets, notably to the Soviet Union.

To limit milk production the EC Council of Ministers introduced milk quotas in 1984, with penalties for producers who exceeded them in the form of a superlevy. But this has proved ineffective: production of butter and skimmed milk powder has increased sharply this year, while the quotas have been exceeded by nearly one million tonnes.

The Commission therefore proposed this September a suspension of guaranteed intervention purchases of butter and milk powder, under certain conditions, and the elimination of the current practice of adjusting quotas between deficit and surplus areas.

It has now proposed the elimination of other loopholes, including adjustments within a given area and transfers between direct sales to consumers and deliveries to the trade. The Commission also wants the superlevy to be imposed at the full guaranteed price, rather than at 75% of it as at present. Finally, the Commission is insisting on a further reduction in the quantities guaranteed for 1987 and 1988.

## YUGOSLAVIA: Neither capitalist, nor Communist but a good business partner

It is unlikely that companies looking for business or investment opportunities outside the European Community will put Yugoslavia near the top of their list. And yet a recent investment guide lists three important reasons why they should: Yugoslavia's determination to succeed economically, its advantages as a manufacturing base, and the opportunities it offers because of its links with markets in the developing world.

The guide, prepared by industrial consultants, has been published by the European Commission*. It is one of a number of activities the Commission has undertaken to encourage European companies to tie up with Yugoslav enterprises. Industrial cooperation in fact is one of the main themes of the 1983 EC/Yugoslavia cooperation agreement. But many European companies are reluctant to enter into any long-term commitments because of fears of having to deal with bureaucrats rather than businessmen.

The guide both seeks to allay these fears and to provide potential investors all the necessary information on the organization of Yugoslav industry, the legislation relating to tie-ups with foreign firms and the practical aspects of negotiating licensing agreements and joint ventures. The Commission hopes that smaller firms in particular will use the guide to explore business opportunities in Yugoslavia.

* Entitled "Industrial Cooperation and Investment in Yugoslavia" the 160-page guide is available in English, French, German and Italian from the Office for Official Publications of the European Communities, L-2985 Luxembourg, tel. 499281. Price UKL 8.50/IRL 9.60.

## SMALLER BUSINESSES: The EC Council approves the Commission's strategy

Small is not only beautiful but also more effective when it comes to creating jobs. The European Community's industry ministers in fact have recognised the important part which smaller businesses can play in job creation.

At their latest meeting ministers both approved the main lines of the strategy the European Commission had proposed for encouraging smaller businesses and asked it to draft specific proposals in line with it.

Action already taken by the Commission has been aimed at improving the business environment, by reducing the administrative and legal constraints on smaller businesses. Ministers both welcomed this and asked the Commission to arrange for a regular exchange of information on action taken by the member states and the Commission itself to improve the business environment.

CULTURE: 1988 to be Cinema and Television Year in Europe

In a 12-nation Community, with no fewer than nine official languages, moving pictures are the only common language. The audiovisual media, the European Community's cultural ministers pointed out recently, are "one of the chief means of conveying information and culture to the European citizen". What is more, they contribute to "the strengthening of the individual European cultures, as well as the European identity".

It is only fitting, therefore, that 1988 should have been declared the European Cinema and Television Year by the Community's presidents and prime ministers in Milan last year. Since then the European Commission has drawn up the aims to be pursued during 1988 and proposed a series of audiovisual events to mark the year.

The EC's cultural ministers have now given their backing to the objectives and guidelines. They have called on the member states to support the Cinema and Television Year and stressed the importance of financial contributions from not only national and international sources but also the audiovisual industry.

One of the Year's key objectives will be to persuade both politicians and other opinion leaders of the need for a strong European audiovisual industry, one able to compete with its overseas rivals. Another important objective will be to reflect the European identity, even while seeking a better balance among the large and smaller cultural areas in Europe.

Where the Community as such can play a major role in strengthening the European audiovisual industry is by removing obstacles to (1) the increased mobility of persons and goods connected with the industry and (2) the financing, production and distribution of audiovisual programmes on a European basis. Not surprisingly, this is among the objectives of the Year.

Participation in the Cinema and Television Year is not confined to the 12 Community countries; the Council of Europe, which has been working on audiovisual questions for many years, is also taking part. The activities to be undertaken at the Community level will be prepared by the European Steering Committee. Their number and scope will depend on the money available.

Happily, the Community's cultural ministers also agreed, in a separate resolution, to encourage businesses to sponsor cultural events on a larger scale. Sponsorship, the ministers noted, helps businesses as much as it does the arts.

REFUGEES: ECU 660,000 for Uruguayans wanting to return home

Some 200 Uruguayan executives and technicians living in exile will be able to play a role once again in the economic life of their country, thanks to a special grant from the European Community of ECU 660,000*. They will be able to work in various public and private bodies and in universities and cooperatives.

The European Community regularly finances training programmes for professional people and farmers from Third World countries. But its aid to Uruguay, a country with long-standing economic difficulties, is different in that it is aimed at refugees, who are to be given the means to return to their country.

Uruguay returned to its democratic traditions in November 1984, after years of dictatorship. During the period 1968 to 1983 more than 10% of the country's population went abroad, for either political or economic reasons. Many of the 350,000 Uruguayan refugees living in other Latin American countries and in Europe have decided to return, following the restoration of democracy.

To help them the Uruguayan government established a national repatriation committee in 1985. But international aid is needed if it is to be successful.

COMPETITION: Design a logo - and win ECU 20,000

The European Commission has launched a competition for a logo to be used in promotional and marketing campaigns for olive oil.

The first prize is ECU 20,000*. Four additional prizes of ECU 2,500 each will also be awarded.

The competition is open to individuals, companies and associations in the European Community. The rules have been published in the "Official Journal" of 11 November 1986 (No C 284). The designs must reach the European Commission by noon on 23 December 1986 at the latest. More detailed information can be had by calling Nicole Hugonnard-Roche or Isobel Maltby in Brussels. Their numbers are 235 32 84 and 235 06 41 respectively.

* 1 ECU = UK£ 0.71 or IR£ 0.77.