



A NEWSHEET FOR JOURNALISTS • REPRODUCTION AUTHORIZED

N° 35/80

BRUSSELS, October 27, 1980

Week of October 20 to 25

Europe "discovers" its overseas departments

One tends to forget that the European Community stretches beyond the nine Member States to include Greenland and the French overseas departments. These departments have often been discriminated in their relations with the Community. But the gap between them and EEC member states will soon be narrowed. The Community is planning to give financial assistance worth about 56 million pounds for a French programme aimed at promoting agricultural development in the overseas departments. The economic situation in these departments is not very healthy: the service sector has too large a share in the economy, agriculture is not diversified, and unemployment and migration have reached high levels. The French development programme focuses on irrigation, improvement of soil, the prevention of floods, reforestation, livestock farming and the diversification of agriculture.

S U M M A R Y

- AGRICULTURE : p. 2 Changes continue down on the farm
- INTERNAL TRADE : p. 3 Dismantling barriers that should not exist
- ENERGY : p. 4 Emphasis on coal
- IN BRIEF : p. 5 Conference on research
 - Japanese exports
 - Taxes on alcohol
- CLOSE-UP : p. 6 The European shipbuilding industry struggles to stay afloat

70,000 jobs have been lost since 1975 in the shipyards of the European Community. The member countries are currently striving to save what they can of a service that is confronted by a considerable slump and increased foreign competition....

This newsheet is published in six languages (English, French, German, Dutch, Italian and Danish) by the Directorate-General for Information of the

Commission of the European Communities,
Rue de la Loi 200 - 1049 Brussels Belgium.
Tel. 736 60 00 - Telex 21877 COMEU B.

Its contents do not necessarily reflect the official views of the Community institutions.

Editor : Will. J. Reckman



AGRICULTURE : Changes continue down on the farm

During the past 20 years the role of agriculture in the system of European economic activity has declined steadily. In the meantime, the structure of this farm production has tended toward increased concentration and production on a more massive scale.

According to statistics recently published by the European Community Commission in Brussels, the total number of farms in the nine member countries declined by 68,000 between 1970 and 1978. And the number of farm workers who left the land between 1968 and 1978 is put at 3,964,000.

The European Community has encouraged this restructuring with the aim of increasing the economic viability of the agricultural sector and of encouraging a better use of the land. Since 1972, the Community has granted an annual payment, set by the member states themselves, to farmers between 55 and 65 years of age who give up their activities and turn over their lands to other producers undertaking a planned development. In other words, this is a measure designed to encourage the elimination of small, uneconomical holdings. Between 1975 and 1978, 46,000 such annual indemnities were paid out, thus freeing 650,000 hectares of land (about 1.6 million acres).

Despite this evolution, agricultural production structures are still dominated by small and medium operations in the majority of European countries. The case of Italy is particular. After Ireland, it is the country where the rate of decline in agricultural holdings is the slowest, whereas by itself it included 2,053,426 of the Community's total of 5,083,571 farms of one hectare (2.47 acres) or more in 1975.

The European Commission now estimates that the measures taken to encourage this restructuring have not been as effective as planned. This is partly as a result of the low annual payments offered, which don't offer a true alternative to many farmers, and because of property laws which do not favour transfers of land.

The results of this Community action, however, are not entirely negative. There are currently noticeable improvements in the rate of productivity for the agricultural sector, even while the exodus of manpower is occurring at a rate that is twice as slow as during the 1960s, from -2.5 percent per year to -5 percent now.

New proposals were introduced by the European Commission in March which are currently being considered by the Council of Ministers.

INTERNAL TRADE: Dismantling barriers that should not exist

A little-noticed ruling by the European Court of Justice in Luxembourg more than a year ago could make a lot of difference to European producers and consumers of products which have in the past been subjected to administrative headaches in neighbouring countries.

The decision, in the so-called Dijon Cassis Case, is one that attempts to push the very concept of a truly open common market to its logical conclusion. It's no secret that although the architects of the European Community envisioned the establishment of free circulation of goods and services within a customs-free union, numerous other technical barriers and restrictions have taken over as obstacles to free trade when internal tariffs were eliminated.

Businessmen, and customers as well, are frequently heard to complain about the difficulties of getting a product across the frontier into another EEC country. Countless administrative procedures or health, environmental or other technical standards sometimes effectively block the transfer of such items which are popular in one state to another.

Sometimes these rules are set within one country as logical protection for the public or consumer. In other cases they are to shelter a domestic industry.

It probably will not happen overnight, but a 1979 EEC Court judgment ruled that in principle any product legally made in one Community country should not be blocked from sale in another EEC country, except when absolutely necessary.

This far-reaching ruling therefore gives the EEC authorities considerable assistance in trying to break down needless and potentially restrictive barriers.

As a result, the EEC Commission in Brussels will be seeking to obtain more information and cooperation from governments in the member countries to try to cut down on these barriers. The subject is not just an academic one, the Commission points out in a recent report, since it feels many European companies would be able to expand their business into neighbouring Community markets and therefore provide additional jobs if some of these needless obstacles were removed. It could also lead to cheaper goods and a wider choice for the European consumer.

ENERGY: Emphasis on coal

Coal is usually considered a thing of the past, evoking images of rundown 19th century mining towns and sooty black tunnels. But, as attempts are made to cut back on the use of oil, coal is increasingly being seen as a possible source of energy for the future.

With the price of crude oil on the rise and predictions that shortages are always a possibility, European authorities have been encouraging the use of alternate sources of energy. Although most of Europe's energy needs continue to be met by petroleum -in 1979, crude oil accounted for 53.3 per cent of energy consumption in the European Community- coal is the second most important source of energy for Europe. In 1979, coal satisfied 19.4 per cent of the energy needs of the nine EEC countries, with natural gas accounting for 17.5 per cent. Other sources, such as nuclear energy played a lesser role.

Attempts are now being made by the European Community and several of its members, especially Germany, to promote the use of coal. Extensive research is being carried out on the liquefaction and gasification of coal. In Germany, the first installations for gasification are expected to begin operating in 1984 while those for liquefaction should be in operation in 1985, according to the Bonn government.

There was actually an increase in coal production in the Community last year and, according to a recent report by the European Commission, the consumption of coal in Europe is expected to almost double by the end of the century. In addition to the continued increase in production that the EEC is counting on, coal imports, which currently account for 20 per cent of the coal used in the Community, will be boosted.

The major advantage provided by an increased use of coal is that it could lead to more energy self-sufficiency for Europe. Both Germany and the United Kingdom have considerable supplies of coal and are expected to provide most of the new output. France and Belgium, on the other hand, are expected to provide less and less of the Community's coal, as their inefficient mines are closed down. There are, however, some disadvantages attached to the use of coal. The environmental problems have yet to be ironed out, for example. In addition, the coal found in the Community is relatively expensive to extract, which could lead to excessive dependence on imports.

IN BRIEF...

European conference on research and development options

- Community policy in the research and development sector was the subject of a high-level conference organised by the European Commission in Strasbourg, October 20 to 22. This meeting was attended by well-known scientists from the different member states of the European Community and also a number of European parliamentarians, businessmen and trade union representatives. With the first phase of the EEC's R and D policy expected to come to an end shortly, the European Commission will propose a series of new measures for the coming decade. These new guidelines will have to take account of new economic and social requirements of the Nine, as well as the need to elaborate the ways and means of tackling those problems which are common to the Nine. The Strasbourg meeting served to identify these requirements and the means of meeting them.

Slow down in Japanese exports ?

Representatives of the European Community are currently increasing contacts with high-ranking Japanese officials in an attempt to straighten out the wide imbalance in trade between the two partners. Japanese exports are particularly high as regards television sets and cars.

The EEC's trade deficit vis-à-vis Japan currently stands at 4.9 billion dollars for the first six months of 1980. For the year as a whole, there are fears that the deficit could reach 9 billion dollars instead of the 7.1 billion mark reached in 1979.

Equal VAT for all alcohols

In February this year, the European Court of Justice ruled that France, Italy, Denmark and Ireland had violated the Treaty of Rome by being discriminatory in their taxing of alcoholic drinks imported from other EEC countries. The Treaty states clearly that no member state can impose direct or indirect taxes on imports of products from other states which can be seen to be higher than taxes imposed directly or indirectly on similar national products. While France has taken measures to stop this discrimination, the Danish government intends to implement a mixed taxation regime which will discriminate against imported products, particularly "Scotch whisky". The question will be dealt with by the Nine's Finance Ministers on October 27.

Formerly a symbol of the international strength of European countries, the shipbuilding industry has in recent years become one of the most troubled sectors in this part of the world.

As a result of the crisis, which reached extreme proportions in the 1970's, many yards had to close down and thousands of jobs were lost. Although the situation improved slightly in 1979, experts predict that the decline of the industry will continue well into the 1980's. There are numerous reasons for this decline; one of the most important is the close link that exists between shipbuilding and world trade. Since the general economic crisis has brought a drop in trade, shipbuilding has suffered. In addition, like many of Europe's traditional or older industries, shipbuilding has faced heavy competition from other countries, especially Japan.

Thus, Europe's shipyards have seen a steady drop in the number of orders they receive. They have had to cut back production, which has meant the firing of large numbers of workers. More than 70,000 jobs have been eliminated since 1975, representing a 36% drop in the number of people employed in the industry. However, despite this decline in production, the number of ships being built in Europe still surpasses the demand. This means that the shrinking of the industry will have to continue, especially since the economic forecasts for the next few years are pessimistic and a further decline in world trade can be expected.

An added problem for the industry, which has appeared recently, is the relative strength of Europe's currencies, especially vis à vis the yen. The prices of ships built in Europe have thus become less competitive. The higher cost of energy as well as wages that are higher than those in Japan and the developing countries, have also made it difficult for European firms to maintain competitive prices. Some companies have had to take a cut in their profits in order to keep their prices down.

Both national governments and the European Community have therefore come to the aid of the shipbuilding industry with various schemes and programmes. There have been schemes designed to cope with the unemployment brought by the crisis; a programme recently proposed by the European Commission would, for example, give special aid to older workers who have lost their jobs and yet do not receive adequate pensions. Moreover, the industry is the subject of aids given at the national level, which are mainly aimed at keeping shipbuilding in Europe alive and as competitive as possible.

However, since these supports can sometimes have the effect of distorting competition between EEC countries, the Commission has attempted to control and coordinate the activities engaged in by member states in support of their shipbuilding industries. Community policy is to indicate the general direction that governments should take in their aid programmes, encouraging certain types of aids over others.

In line with this policy, the European Council of Ministers last month adopted a Commission proposal on aid to shipbuilding, replacing a previous programme which is to expire at the end of this year.

The proposal reaffirms the policy of the Commission that restructuring of industry should be encouraged as often as possible, so that the Community can develop a more efficient shipbuilding industry. Aids provided by national governments should not merely be used to subsidize companies in trouble, but should instead be closely linked to restructuring schemes which will in the long run bring a reduction in the number of ships being constructed. Thus, for example, production aids (which are direct grants to firms) must be linked with a restructuring programme. These aids should also be progressively reduced so that firms do not become overly dependent on national governments.

There has already been a substantial restructuring of the shipbuilding industry in parts of the EEC, which has led to a considerable reduction in production. In cases where the scope for further reduction is limited, the Commission proposes that companies be encouraged to modernize and rationalize their shipyards.

The other major element contained in the Commission proposal adopted by the Council of Ministers is the idea of Community control over national aid to shipbuilding, so that member states share the burden of the crisis equally. Thus, the Commission is to be notified of the granting of certain types of aids, such as aid to shipowners and compensation for losses suffered by shipbuilding companies.

A new suggestion made in the Commission proposal is that moneys from the Social and Regional Funds be used to help regions which are particularly affected by the shipbuilding crisis.

The Community measure, to be in effect until the end of 1982, also includes provisions for the coordination of aids such as credit facilities, investment aid, aids designed to rescue firms, crisis aid, cost escalation insurance and aid to shipowners.

The measure does not include any specific item to deal with Greece's entry into the Community, which is expected to have a considerable impact on the shipbuilding sector because of the size and importance of the Greek commercial fleet.