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Mailed from Brussels X

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ECONOMY: The crisis settles over the 12-nation EC

The Commission's gloomy forecast for 1993 and 1994.

The economic situation in the 12-nation European Community is anything but good. According to the European Commission's latest forecasts, published in mid-June, the EC is on the verge of setting new records as regards the recession and budgetary deficits this year and unemployment at the beginning of next year. The situation could improve from mid-1994, given favourable circumstances.

But there are no miraculous solutions. All EC countries, except for Luxembourg, are in a tight corner, and hardly in a position to increase spending. According to the European Commissioner for economic affairs, Henning Christophersen, the Twelve must redirect spending: they must therefore improve education and vocational training and reduce state aid to companies. It is equally important that wages not increase more rapidly than productivity, in the Commissioner's view.

Last year the EC recorded the lowest rate of economic growth since 1982. Its Gross Domestic Product (GDP), which measures the total production of wealth, grew by a mere 0.9%. This year industrial production declined by 0.9% during the first quarter, as compared to the same period in 1992, while both Germany and the Netherlands saw a decline in their GDP. The Commission had no choice but to revise its January forecast downwards; it now expects GDP to decline by 0.5% this year, instead of rising by 0.8%. This would be the first time since 1975, following the first oil crisis, that GDP has fallen.

Worse yet, the number of jobs in the 12-nation EC is expected to fall by more than 1.75% this year - the worst figure in the Community's history. Employment, which stagnated in 1991, fell by 1.3% last year. The Commission expects it to decline by a further 0.25% next year. As a result, unemployment could exceed, by mid-1994, the record 12% reached in 1985. The Commission already envisages an unemployment rate of 11.5% for the EC as a whole this year.

As if this were not enough, the EC is also expected to beat all records as regards budget deficits: the total deficits of the Member States are likely to exceed 6% of GDP. The previous record (5.2%) was set in 1982. Given deficits on this scale it is clear that the crisis cannot be overcome by bouts of public spending.

Nor is the situation improving to the outside world. The fact is that the EC will continue to show a deficit in 1993 and 1994, as regards both its trade balance and balance of payments.

The only positive feature is the slowdown in the rate of inflation, which should fall from 4.5% in 1992 to 4.25% this year and to 3.75% in 1994. For the Commission this trend is not especially noteworthy, given that all the current factors favour price declines.

The forecast is for gradual economic recovery towards the middle of next year, provided that (1) interest rates continue to fall; (2) world trade recovers; (3) the EC becomes more competitive vis-à-vis the rest of the world; and (4) consumers and company managers regain confidence. But there is no guarantee all four conditions will be met in fact.

Be that as it may, Mr. Christophersen is of the view that the Twelve must not give in to the temptation to modify the stringent criteria which they must meet in order to participate in the future economic and monetary union. To give in would be to undermine the Community's credibility. These criteria, which are annexed to the Maastricht Treaty, impose a discipline which is not easy to accept at a time of crisis, particularly as regards budgetary deficits. Only Luxembourg still meets these criteria.

TELEVISION: Europe is on the road to the television of tomorrow

The Twelve adopt an EC action plan to bring the cinema into your living room.

The European Community's action plan, designed to stimulate producers and television companies to produce audiovisual (cinema and television) programmes in the 16:9 format, was unanimously adopted by the EC's telecommunications ministers in Luxembourg on June 16. As a result, the action plan will have a total budget of ECU 405m.* over a 4-year period (ending 30 June 1997). Some ECU 228m. of this will be provided by the EC itself, the remaining ECU 177m. by the industry.

At present most viewers have a television set with the traditional 4:3 format. Although sets equipped with the 16:9 wide-screen cinema format are available in the shops, there is little demand for them. There are two reasons for this. The first is that the majority of television programmes are still broadcast in the 4:3 format; when they are picked up on a set with a wide screen, the picture has a black band on either side of it. The second is that the price of the new sets is much higher. Clearly people will not buy them until there are far more programmes in the 16:9 format; but as long as demand for these sets remains low, their price will remain very high. The action plan seeks to break this vicious circle by encouraging producers and television companies to produce a "critical mass" of programmes in the wide-screen format, so that consumers are encouraged in turn to buy the new sets.

ECU 228m. are to be made available to this end. Part of the money will be used to finance the extra cost of producing programmes in the 16:9 format, with the balance being provided by the audiovisual industry itself. In order to use EC funds producers and television companies will have to undertake to produce at least 50 hours a year of programmes in the wide-screen format. The funds will be made available on an annual basis and on a first come, first served basis.

To avoid penalizing countries with a small audiovisual industry, or a less widely used language, ECU 68m. will be put in a reserve fund, to be used for the markets that will not be catered for during the earlier stages of the programme. The projects, to be launched after 1995 by companies and producers active on these markets, would have 80% of their additional costs reimbursed from this fund, as against 50% in the case of "normal" projects. While no list of countries that could benefit from this fund has been drawn up, it would include the four poorest EC countries - Spain, Portugal, Greece and Ireland - as well as Belgium and Luxembourg.

In principle, the action plan should be formally adopted, without discussion, before the summer holidays. Between now and the autumn the Commission will submit proposals for the introduction of a fully digital EC television programme and start work on standardization. The fact is the action plan contains no reference to the technical standard these wide-screen programmes will have to meet. The idea therefore is to help simultaneously both television producers and manufacturers by enabling the latter to develop new, entirely digital technologies, which will make it possible to broadcast a wide range of programmes by satellite as well as by cable and wireless.

With the second stage the television of the future will really make its entry into people's living rooms. Viewers will be able not only to see a large number of quality programmes in the 16:9 format but also take part in the programmes themselves, thanks to the latest interactive technology. It is essential that Europe not be left behind by Japan and the United States in this field, as otherwise viewers will have to content themselves with playing with Goldorak or - more happily - Sue Ellen.

* 1 ECU = UK£0.78 or IRE0.80

POPULATION: There are 10m. outsiders living in the EC

They account for 2.8% of the total population but are very unevenly distributed.

There are more than ten million of them, living and working in the European Community, occasionally since a long time, often permanently. The most numerous are the nationals of European countries other than those belonging to the EC. They number 4.1m. and include 2.3m. Turks, 785,000 ex-Yugoslavs and 368,000 Poles. Next are the 2.7m. Africans, including more than one million Moroccans, 540,000 Algerians and 283,000 Tunisians. Some 1.5m. Asians also live in the EC, as well as 800,000 Americans, from both the northern and southern parts of the New World. U.S. nationals are very numerous (357,000), followed by Canadians (60,000) and Brazilians (50,000). Finally, there are some 74,000 citizens from down under - 52,000 Australians and 22,000 New Zealanders.

There are numerous reasons for this mass migration to the EC countries: the search for work, the desire or the need to escape from oppressive regimes, political upheavals, civil and ethnic wars Men generally outnumber women, except in the U.K. and Luxembourg. They are considerably younger on average than the Europeans, and consequently the percentage of those of working age is much higher.

They are spread very unevenly over the 12 Member States, given their widely differing motivations, which range from cultural affinities to the nature of their welcome and the job opportunities offered them. Thus Germany and France, with 4,150,000 and 2,300,000 respectively of citizens of non-EC countries, are at the top of the list, ahead of the U.K., with 1,650,000, most of whom come, logically enough, from the Commonwealth. The fact that EC countries are of varying sizes clearly plays a role in this connection; it explains why Ireland and Portugal are at the tail-end of the list, with 27,000 and 80,000 non-EC nationals respectively, even though other "small" countries, such as the Netherlands and Belgium, shelter, for historic reasons, substantial numbers of non-EC citizens (522,000 and 331,000 respectively).

SPORT: Green light for exclusive showing rights for Eurovision

The common purchasing system and exchange of Eurovision sports programmes are exempted from the EC's competition rules.

The European Commission has decided to exempt the common purchasing system and exchange of Eurovision sports programmes, managed by the European Broadcasting Union (EBU) from the European Community's competition rules which apply to agreements or concerted practices between enterprises. The decision follows moves by the EBU to make its system of access to sports programmes more flexible for non-member television companies.

Under Eurovision members of EBU can purchase collectively the rights to re-broadcast major television spectaculars, sporting events for the most part. This system of collective bargaining reduces competition between EBU members, which are mainly in the public sector, and gives them a certain competitive advantage over commercial, non-member television companies. Several of the latter had filed a complaint with the European Commission, claiming that the common purchasing system was contrary to the EEC's competition rules. The fact is that the EBU made it as difficult as possible for non-members to purchase the rights it had negotiated for its members. They could only rebroadcast programmes 24 hours after they had been shown by EBU members, for example.

At the Commission's request EBU has modified the way it acquires rights to sporting events, in order to enable commercial television companies to obtain them on terms which are both more equitable and reasonable, including shorter waiting periods and financial agreements. The Commission is of the view that the new system can be exempted from the EC's competition rules until 25 February 1998. The Commission has also stressed that the new system allows small companies, which lack the financial muscle to obtain the right to rebroadcast major sporting events, to offer their public a larger number of quality sporting programmes. In addition, Eurovision is facilitating cross-border exchanges of programmes and contributing to the development of a single European market in televised programmes.

SMEs: A new programme to make their life easier

The Twelve adopt a set of actions for the period 1993-1996.

Will small and medium-sized enterprises (SMEs) pull the European Community out of its economic stagnation? In any case, the Twelve want to give these enterprises, which create more jobs than others, as much opportunity as possible. In the wake of the European summit at Edinburgh, which had decided last December to add Community actions to national measures aimed at stimulating growth, they adopted in mid-June a new programme in favour of SMEs.

This programme will start next July 1, ending on 31 December 1996. It is a follow-up to the actions conducted since 1986 by the Community in order to help SMEs - more than nine companies out of 10 - take advantage of the European dimension. The Twelve plan to devote to it ECU 112.2m.*, including ECU 24.8m. for this year.

These are very modest amounts; but it is not a question of subsidizing SMEs. The new programme, like its predecessors, aims to see to it that European legislation does not impose additional costs on these enterprises. The emphasis this time will be on VAT, which had posed some problems since the introduction of the new "border-free" system at the beginning of the year. The European Community will also have to continue to take into account SME interests in its other policies.

The new programme will also make it possible to improve the European services on offer to SMEs: the 210 information centres - the Euro Info Centres - located throughout the 12-nation Community; the partner research networks; the actions designed to stimulate sub-contracting and the meetings between SMEs from different countries.

In addition to these actions, considered as having priority, the programme seeks nothing less than to make it easier for SMEs - including the craft industries - to adapt to the single market and improve the terms on which they are financed. Finally, the EC will continue to monitor the SMEs.

* 1 ECU = UK£0.78 or IR£0.80

ECONOMY: The former East Germany is much less rich than Greece

But the situation has already improved since German unification.

The former East Germany, which is part of the European Community since 3 October 1990, the date of German unification, still has a long way to go before it catches up economically with the other regions of the 12-nation Community. This is what the very first statistical comparisons between the new German states (Länder) and the rest of the Community, published in mid-June by Eurostat, the EC's statistical office, points to. These figures show nevertheless that since unification the new German Länder have already gone some ways towards closing the gap between themselves and the EC's other regions.

In terms of purchasing power, the per-capita Gross Domestic Product (GDP), which measures the total production of wealth, stood at 5,262 units in the case of East Germany in 1991, as compared to 7,406 units in the case of Greece, the country which is the least well-off in the EC. The per-capita GDP of the new German Länder came to only 28% of that of the former West Germany, the highest in the EC after Luxembourg. But it climbed to 35% in 1992.

Suddenly united Germany found itself in 1991 with a per-capita GDP lower, in terms of purchasing power (15,743), to that of France (17,224), Denmark (16,607), Belgium (16,213) and Italy (15,902).

With 20% of the total population of Germany in 1991, the new Länder accounted for just 6.7% of the country's GDP - 7.8% in 1992 - and for 5.7% of household savings - 11.9% in 1992. But they also accounted for 35% of unemployed Germans - 39% in 1992. As for wages, those in East Germany rose from 50% of the West German level in 1991 to 64% in 1992.

However, in the context of the present economic crisis the former East Germany recorded in 1992 the highest growth rate in the EC as a whole - 6.1% as compared to 1.6% for the former West Germany and 0.9% for the Community as a whole.