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EIB LOANS HIT RECORD HIGH.

Restoration work on the Doge's Palace in Venice, a submarine cable linking the British and French electricity grids, electrification of the Dublin suburban railway and an East-West pipeline to ship Soviet gas across the Federal Republic of Germany may not seem to have much in common.

The link between them is the fact that they were all part-funded by the European Investment Bank (EIB), the EC's bank for long term development loan finance, as part of its lending programme last year.

Since 1958 EIB lending has grown and diversified steadily. In 1983 it reached a record £3.42/IR£4.38 billion - 27 % more than in 1982. (6000 MECU).

About 60 % of the money went to projects in depressed areas, strengthening infrastructures, modernising industry and creating jobs. Projects selected in 1983 will create an estimated 33,500 jobs and will save another 475,000.

Other key features of the programme included £958/IR£1227 million for energy projects designed to cut EC oil imports by an estimated 22 million tonnes a year and a new commitment to environmental protection. (1681 MECU).

ITALY was the bank's biggest borrower in 1983 with loans totalling over Lit. 3,500 billion (2610 MECU). About 60 % of it went to the Mezzogiorno, including special finance to make good earthquake damage in Basilicate and Campania.

Industrial loans included extensive investment in small firms. Other investments included funding for automation of the car industry in Piedmont, a biotechnology plant to produce antibiotics near Milan, a factory to make optical fibres for telecommunications in Campania and finance for a company making automated production lines in Emilia Romagna.

Energy projects included funding for the gas pipeline linking Italy and Algeria, finance for the Alto Lazio nuclear power station and the laying of a submarine cable linking Sicily to the mainland electricity grid.

Funding also went to projects as diverse as sewage treatment schemes to clean up the Gulf of Naples and the River Tiber in Rome, irrigation in Molise and South Latium, and restoration work on the Doge' Palace in Venice, Italy's third most important tourist attraction.

EIB (Contd.)

In FRANCE loans almost doubled on the previous year to over FF.6000 million (895 MECU). About 40% of the total was in the form of global loans for small infrastructure projects in depressed regions. Other infrastructure projects included funding for the Bordeaux ring-road, road improvement schemes in the West, South West, Lorraine and Corsica, and improvements to telecommunications in the Nord-Pas-de-Calais, the West and South West.

Other loans went towards the purchase of five new aircraft by Air France, the construction of a coal terminal at Montoir-de-Bretagne on the Loire Estuary and over 1360 small industrial projects worth about FF.1770 million.

Energy projects worth FF.1710 million included a 2000 MW cable linking the British and French electricity grids, the development of a lignite mine near Aix-en-Provence, coal-fired and geothermal district heating systems in Lyon and Seine-et-Marne, and two nuclear power stations at Flamanville near Cherbourg and in the Rhône valley.

The UNITED KINGDOM's borrowing rose by 40 % to a little over £410 million (690 MECU). £160 million went to infrastructure projects including the extension of Manchester and Birmingham airports, telecommunications in Scotland, road improvements in Devon, Lancashire, Merseyside, Lothian, the Western Isles and South Wales and waste disposal and recycling schemes in Hull and Newcastle.

Industrial projects included the development of a new aircraft production line and dairy modernisation in Belfast, a glassworks in Nottinghamshire and funding for small firms worth about £70 million.

The bulk of the £180 million borrowed for energy projects went towards the development of the Magnus oil field in the North Sea, funding for the Torness nuclear power station in East Lothian and improvement of the effluent treatment and disposal facilities at Sellafield (Windscale) in Cumbria.

GREECE borrowed about Dr35 billion (450 MECU) in 1983. About half of it went to infrastructure projects such as roads, telecommunication, sewerage schemes, and irrigation on the mainland and in Crete. Industrial estates in Thessaly, the Epirus, Macedonia, Thrace and the Peloponnese also received loans. Energy projects included finance for hydro-electric power stations in the Epirus, West Central Greece and South Macedonia and for a thermal power station in Western Macedonia.

EIB (Contd.)

In DENMARK loans rose by 20% to over Dkr2955 million (365 MECU), most of which went to energy projects. These included the exploitation of Danish North Sea natural gas reserves, a linking of the Danish and German gas grids, the construction of gas treatment and compression plants, an oil pipeline from the North Sea and a variety of energy saving and district heating schemes.

In IRELAND lending fell to about IR£220 million (305 MECU), a quarter down on last year, reflecting government cuts in public expenditure. Three quarters of the total went to infrastructure projects including road improvements around Dublin and Cork, electrification of the Dublin suburban railway and modernisation of telecommunications. Energy projects including funding for Ireland's first large coal-fired power station in County Clare and extensions to the national electricity grid.

The FEDERAL REPUBLIC OF GERMANY borrowed about DM345 million (150 MECU) last year, most of which took the form of EIB guarantees for energy projects. They included nuclear power stations at Philippsburg and Gundremmingen and the East-West gas pipeline from the Soviet Union.

In 1983 the European Investment Bank also lent about £275/IR£353 million (483 MECU) to Mediterranean, African, Caribbean and Pacific countries associated to the EC.

LIFE EXPECTANCY RISES

Country	Life expectancy in years		
	1960	1970	1982*
Federal Republic of Germany	66.9	67.4	72.9
France	66.9	68.3	74.3
Italy	67.2	69	72.7
United Kingdom	67.9	68.7	73.1
Belgium	67.2	67.8	71.8
Luxembourg	71.9	73.9	71.9
Netherlands	71.5	70.7	75.8
Ireland	68.1	68.8	71.2
Denmark	70.4	70.7	74.2
Greece	67.3	70.1	71.9
EC	67.6	68.7	-

Source: Eurostat

* Or nearest known year.

THORN "CHIPS" IN.

The key to economic recovery is a European strategy that makes full use of Europe's intellectual potential, according to European Commission President Gaston Thorn.

Growth used to be about natural resources like oil, but nowadays "grey matter is as important as black gold," he says.

The symbol of the revolution has been the microchips that now affect practically every aspect of our daily lives, from washing machines to watches, from central heating to children's toys.

The manufacturer of microchips in the Information Technology sector already provides 5% of jobs in the EC countries. With annual growth rates of 8-10% (despite the recession) turnover could reach \$500 billion by 1990, compared to \$330 billion last year.

"In the short term information technologies could both create and save jobs", says M. Thorn. Four million jobs in the Community are currently at stake. On the one hand Europe will create two million jobs if it develops the sector at the same speed as the Americans and the Japanese. And on the other, two million jobs will be lost if manufacturing industry fails to introduce microprocessors and robots fast enough.

An industrial transformation of this magnitude requires far-reaching structural and sectorial change. Undertaking a third industrial revolution will mean massive investment in capital equipment and R & D., which will require close cooperation between firms and public authorities.

Japan, which has a major programme to develop the fifth generation computer, and the United States, which has the Microelectronic and Computer Technology Research Corporation of twelve companies, are on the right road. In Europe approval of the ESPRIT programme would be an important step in the right direction. Under ESPRIT several European firms would pool their research efforts in microelectronics, data processing and computer production.

ORTOLI BACK EMS.

"Monetary and financial integration in Europe is a key factor in the battle for growth and jobs because it will free capital and help to establish a vital international economic order," according to European Commission Vice-President François-Xavier Ortoli.

Speaking in Rome, he said that the European Monetary System (EMS) would be celebrating its fifth birthday in March 1984. Describing it as "a gentleman's agreement between EC member states and their central banks," he said that it was based on the ECU and the tough but flexible exchange rate mechanism, both of which were designed to create the cohesion and monetary order necessary for economic growth.

Although neither the British pound nor the Greek Drachma have yet joined the exchange rate mechanism, the results have been impressive. The EMS survived the second energy crisis and the dollar shock, as well the differing policies and economic performances of the member states. It has also been a powerful factor in holding together common policies and the homogeneity of the Community.

"The EMS may also have played a historic role in avoiding a split in economic policies, that would have put into question the very existence of the Community," says M. Ortoli.

But whatever the gains of the EMS, there remains a great deal to be done before the EC becomes a unified monetary area. According to M. Ortoli, progress is needed in four distinct areas. They include: consolidation of the EMS, a confirmation of Europe's monetary identity in the world, a strengthening of the role of the ECU and the creation of a European financial market.

The central element of the EMS, the ECU, is already firmly associated with Europe's monetary identity. One way to consolidate the system would therefore be to widen the acceptability of the ECU in dealings between central banks and to encourage its use in transactions with third country banks. M. Ortoli also wants an end to obstacles to private use of the ECU.

SEWAGE SLUDGE PLAN.

Sewage sludge used as fertilizer can increase agricultural productivity, according to a European Parliament committee. But untreated sludge can be a health hazard, say the MEPs.

The view is contained in a report compiled for the Parliament by French Socialist MEP Alain Bombard, following the publication of a draft EC directive on the recycling of human and animal wastes in agriculture. Parliamentary amendments to the draft concentrated on consumer protection measures.

The European Community countries produce about 60 million tonnes of sewage sludge a year. By the year 1990 that figure could have doubled, according to the report. Nearly 30 % of it is used in agriculture, particularly in Belgium, France and Scotland. The rest is either burnt or pumped out to sea.

The sludge is rich in calcium and organic matter and is good manure. But it can contain dangerous pathogens. However it is subjected to a number of processes designed to destroy dangerous bacteria. These include pasturisation, heating and aerobic and anaerobic digestion. But none of the systems is 100 % reliable. There is also no way of removing heavy metals, pesticides and other toxic substances.

Careful checks therefore have to be made on the chemical composition of the sludge, before it can be used in agriculture. Strong doses of certain metals in soluble form can be absorbed by a number of plants including carrots, radishes, turnips and spinach, and thence into the human system. On the other hand, there is no reason why sludge should not be used in non-food related areas, such as horticulture, silviculture and forestry.

The Parliament's Committee for the Environment, Public Health and Consumer Protection now want the European Commission to fix stricter norms and uniform obligatory procedures for testing sludges and sludge-fertilized soils.

EC-HUNGARY PACT TO BRIDGE TRADE GAP

Plans for an EC-Hungary trade agreement have been published in Brussels, as concern mounts over the Community's growing trade deficit with the Eastern bloc countries.

The agreement, which follows similar deals with Rumania and Yugoslavia, will be aimed at strengthening trade links, which have become increasingly unbalanced in recent years.

Between 1978-1982 the EC's trade balance with Eastern Europe shifted from a £201/IR£257 m (352 MECU) surplus to a £5.13/IR£6.56 bn. (9000 MECU) deficit. The Community's deficit in trade with the Soviet Union alone rose from £476/IR£608 m. (834 MECU) to £4.74/IR£6.05 bn. (8300 MECU), although it fell in the first part of 1983.

The reasons for the growing imbalance centre on the serious growth problems currently experienced by the state-planned economies of the Communist bloc countries.

Economic stagnation has forced them to cut back on investment plans and introduce a corresponding scaling-down of hard currency imports from the West. Enormous hard currency debts to western banks have also forced a number of countries to deliberately adopt a policy of cutting western imports.

Until last year all ten individual EC countries were suffering from a trade deficit in their dealings with the Eastern bloc as a whole. The bulk of the deficit was due to the Soviet Union's trade surplus. The Russians currently account for about half of all EC-Eastern bloc trade.

Last year both the Federal Republic of Germany and France increased their exports to the Soviet Union, moving into a position of "moderate surplus", according to EC External Affairs Commissioner and Vice-President Wilhelm Haferkamp, but other EC member states remained in deficit.

Prospects for any future increases in EC exports will depend largely on economic developments in the East and an easing of the debt situation, says Mr. Haferkamp, who will be responsible for the negotiations leading up to any agreement with Hungary.

EC VOLUNTARY SERVICE PLAN.

Plans are emerging for an EC voluntary service scheme for 16-25 year olds, following a resolution approved by the European Parliament.

The European Commission has been asked to prepare a pilot programme to assess the cost of the operation. The scheme would last for a year and would apply to young Europeans "interested in serving society."

Organisation of the scheme would rest with a central office responsible for coordinating the supply of volunteers with demand for their services. The Community would provide the money and national organisations would guarantee to provide adequate training, worthwhile activities, such as conservation work, and board and lodging.

The pilot project should be launched in January 1985 - the beginning of the UN Year of Youth, say the MEPs.

AIDS

\$22.2 million have been allocated to US health authorities for research into AIDs - the deadly Acquired Immune Deficiency Syndrome that has killed hundreds of Americans.

As the disease spreads to Europe, concern is growing over the lack of action taken by European governments. German Christian Democrat MEP Bernhard Salzer has now written a report calling for the urgent adoption of an EC research programme into combatting the disease.

EC TO HELP POLISH FARMERS

The EC is to give financial aid to the Polish church to help promote private agriculture. The decision was taken by EC Foreign Ministers at the request of the German Minister, Hans-Dietrich Genscher.

Once the relevant Foundation has been set up by the Warsaw Parliament, funds from the EC and the US will be transferred. The EC will initially finance six pilot projects.