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SUMMARY

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Commission of the European Communities,
Rue de la Loi 200 - 1049 Brussels - Belgium.
Tel.: 2351111 - Telex: 21877 COMEU B

ECONOMICS: Gloomy economic prospects forecast

Economic stagnation and gloomy prospects for recovery in the short term have been forecast by the European Commission in its latest annual economic report. Despite an easing of world interest rates and falling oil prices, business confidence in Europe has failed to rally and unemployment has continued to rise, according to Commission officials.

Inflation is falling faster than was expected, but Commission economists say that the trend could just represent a deflationary spiral, in other words a vicious circle of low economic activity and rising unemployment leading to falling demand.

Prospects for economic recovery in the near future remain in doubt with pessimistic investors currently unlikely to stimulate the upswing in economic activity forecast at the beginning of the year, according to the report.

ECONOMICS: New investment planned

Economists, officials and just about anyone else may disagree about what is needed to get out of the current deep recession, but there is general acceptance of the idea that significant moves must be made at the European level to improve investment.

Following a flurry of statements acknowledging this position by governments and leaders at European summits, the time has come for concrete follow-up action by the European Commission.

Statistics accompanying the new recommendations pointed to the gravity of the situation virtually everywhere. In the 10 EC member countries, investment declined from over 22 percent of their combined GNP in 1970 to 19 percent in 1982. The same type of decline was recorded in the United States and Japan over the period, although the rate of investment in Japan still remains higher than in Europe and the United States.

Following a request made at the EC summit meeting earlier this year, the Commission has put forward recommendations for investment at both national and international levels. The recommendations, if approved by the other EC institutions, will not only prepare a general environment more encouraging for individual investment, but will also send a considerable amount of Community cash down the pipeline to finance projects throughout the member countries.

The Commission has proposed a substantial increase in one of its most important investment finance programmes, the New Community Instrument or Ortoli Facility, from the present £550 million to £1.65 billion. Launched in 1978, the programme is designed to assist energy, industrial, infrastructure projects and small and medium-sized firms. The emphasis will remain essentially similar under the new expanded facility. So far, Italy, Ireland and Great Britain have been the major beneficiaries, followed by France and Denmark. NCI funds, along with those of the European Investment Bank, have also been aimed at providing cheap loans to help reconstruction in parts of Italy hit by earthquakes in November 1980. Smaller amounts also went to Greece in 1981 to help earthquake reconstruction efforts. Loans and subsidies provide a direct stimulus to economic and employment conditions inside the country. The Commission estimates that NCI and European Investment Bank funds have helped create about 20,000 jobs; 16,500 of them in industry. Some 10,600 jobs, nearly all in industry, have also been saved. The Commission has also proposed changes at both the EC and national level to give investors and public authorities more incentives and more funds to pump into hard pressed economies. For instance, it says that national administrations can help out by changing tax depreciation rules and other laws to stimulate investment. Another major area that needs improvement is the whole sector of public spending. While public spending as a percentage of the gross domestic product in the EC has risen from 32 percent in 1960 to more than 50 percent in 1982, the amount actually spent by governments on investment has dropped from 10 to 6 percent, implying that the increases have generally gone for manpower and administrative costs. At Community level, the Commission wants member countries to agree to real progress in the establishment of a unified common market, so that investors can take advantage of economies of scale and a larger market. Secondly, it says that more emphasis should be given to the coordinating and financial role played by the Community in such important areas as research and development, training, energy and technological innovation.

INDUSTRY: Petrochemicals hit by slump

Talks between European petrochemical companies and European Commission officials have opened amid growing fears of an overcapacity in the industry caused by the economic recession.

Between 15,000 and 20,000 people are currently employed in petrochemical-related jobs in Europe, and in addition to providing basic and intermediate inputs into numerous other sectors, the industry covers a huge range of everyday products from paraffin to soap to plastics.

The slump in demand means that massive surpluses exist and prospects for growth are gloomy. According to a recent meeting of European Chemical and General Workers Unions, only 60 to 65 percent of existing production can be marketed and, given an expected 5 percent growth rate next year, the situation will deteriorate. In 1981, only 10.5 million tonnes of petrochemicals were marketed out of a capacity of 17 million tonnes and the unions believe that plant closures are inevitable.

Among the threatened plants listed by the union meeting were operations where production has already been stopped temporarily in Germany, the Netherlands, the United Kingdom and Italy.

Most of the problems faced by the industry in Europe at the moment can be mainly attributed to the fall in demand and over-optimism among firms, resulting in over-investment and tough competition. But concern is now also growing over the threat of foreign competition, particularly from Middle Eastern producers, who have invested massively in new petrochemical plants in recent years.

Petrochemical companies in Europe are no less pessimistic than the unions but say that lists of "threatened closures" can contribute little to over-all restructuring plans, given the mass of individual firms involved. Further negotiations between employers, unions and the Commission are to continue, but the possibility of resorting to price and quantity agreements to protect the industry is ruled out under the Treaty of Rome, according to Commission officials.

SOCIAL: Vocational training

Demand for vocational training has grown rapidly in Europe over the past ten years, especially since the start of the economic crisis in 1973. People needing training are usually adults who want to widen, improve or update their knowledge to suit their jobs. Recently, more young people and women who have been worst hit by lay-offs and represent 37.2 percent and 42.2 percent respectively of the 11.2 million unemployed in the Community, have started to apply.

The European Commission intends to play a major role in the sector and has just approved a draft communication entitled "professional training policies in the European Community in the 1980's", in which it proposes that the Council of Ministers should adopt a programme to step up vocational training. The total cost of the programme will be £77 million, to be financed largely from the European Social Fund. Three areas of priority action have been identified: young people, women, and the development of training at local and regional levels.

The Commission says that the Community should be able to propose an alternative solution for school-leavers currently ending up on the dole. Young people, it says, should be able to obtain additional training and experience, at least for a time after compulsory schooling. The Commission would like this period to cover at least two years: one year immediately after leaving school and another year at just under twenty-five.

As far as women are concerned, the Commission would like Member States to make substantial efforts to provide them with more vocational training facilities. At a local level this would mean responding to the needs of different groups of women (for instance of women who stay at home or live in rural areas). Education in literacy will be another priority, because many adults currently end up unemployed simply because they cannot read or write.

The organisation of training at local and regional levels will be another priority area. National training policies will have to be reoriented to make them more compatible with local needs. The fight against unemployment will also be backed up by efforts of the Social Fund to finance pilot projects designed to create new activities and revitalise existing sectors.

COMMISSION: Operation "open door"

It's not true that the Berlaymont building which houses the staff of the European Community Commission is an ivory tower where the destiny of Europe is decided behind closed doors. In fact it's just the opposite. The citizens of Europe have a right to be informed and the Commission has the responsibility to inform the public of its activities. The big steel and glass structure located in the centre of Brussels where some 3256 European officials work, plays host to a large number of visitors.

During the course of 1981, nearly 20,000 Europeans were officially received as guests of the "Visits" Division of the Commission's Information Directorate-General.

About three-quarters of the groups received during the course of 1981 by the "Visits" Division made half-day visits consisting of a general presentation by the Commission followed by the viewing of a film and a discussion. For other groups, specially-tailored information programmes were provided. Visitors of all nationalities are welcome in the Berlaymont building. In 1981, more than 200 groups brought about 7,050 German visitors to visit the building. More than 3,200 visitors came from Britain, followed by 2,613 Dutch, 1,780 French, 1,239 Italians and 1,212 Danes. International groups composed of citizens of different member countries of the European Community provided 1,500 visitors. The number of visitors from Belgium and Ireland was fewer than 1,000, and there were less than 100 visitors from Greece and Luxembourg.

The budget for visits is limited and not all groups can get financial aid from the Community for travel and living expenses. Only certain special priority groups, such as journalists, politicians and university students get grants. But visitors do usually get a free lunch at the Commission's expense.

In the restaurant, most visitors said they were impressed by the organisation, the availability and the effectiveness of the Commission staff.

CONSUMERS: Whiter than white

Years ago women had a weekly washing day which was completely reserved for laundry. It was hard work, involving boiling water, grating soap, scrubbing on a washing board and hoping for windy weather to dry the assorted sheets and clothing. Little did they know then that in the 1980's most housewives would possess automatic washers and chemical detergents.

The latest innovation is a cold-water-detergent. This seems to offer savings in energy, money, time, work and wear. Why then are such detergents expensive on the UK market? This question was recently raised in the European Parliament as a result of the publication of a Scottish consumers' report. This report claimed that two big soap powder companies had failed to introduce cheaper cold-water-detergents into the UK market in order to safeguard their market shares in the more expensive high temperature detergents.

The Commission has been following closely the developments in the detergents' market and says that the two multi-national companies decided not to introduce the detergents because of market acceptance. The public is not yet convinced that a cold water wash can be as effective as a hot wash. If the companies had made agreements to keep prices up and keep cold water detergents out of Britain, it would be contrary to the Treaty of Rome principles of a Common Market where citizens of every Member State have free access to products available in other Community States.

INDUSTRY: A salty business

Americans who used to put salt in their orange juice every sweaty summer, are now rushing to buy salt-free food in response to a heart-disease scare. But whether you sprinkle salt on your chips or not, in Europe, at least, salt is still big business. This year the production capacity of the European Community countries will be about thirty-four and a half million tonnes.

As your average bag of chips only accounts for a fraction of a gramme of the stuff on a Friday night, where exactly is it all going?

According to the European Commission, the main user is the chemical industry, followed by the food processing industry. Huge quantities are also used for salting roads in winter, softening water in industry and in the home and in agriculture. The Federal Republic of Germany is the main producer, followed by Italy, France and the United Kingdom.