

TRADE UNION NEWS

from the European Community

No 3 Spring 1970



**European Communities
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TRADE UNIONS IN FRANCE

The second in our series on the trade unions in the European Community, this article concentrates on the history and structure of the French unions. A later article will deal with industrial relations and labour law in France. Trade Union News No. 2 carried an article on the trade unions and industrial relations in Federal Germany.

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All trade unions in France are legally constituted corporate bodies. Freedom to form trade unions has been guaranteed by law since 1884. As in most European Community countries, trade union organization in France is based on industries rather than trades or professions. A further characteristic of French trade unionism is that it is divided, and a minority movement.

DIVISIONS BETWEEN THE UNIONS

French trade unions are divided into three types: the central labour organizations, the professional organizations, and other bodies known as independent or autonomous organizations. Of these, the first are the most important, but are themselves divided on political and religious grounds.

The central labour organizations

These are generally so called by reason of their proletarian origins: they long drew their membership almost exclusively from the ranks of workers in industry. They are confederations of industry-based unions, and are now largely open to employees and salaried workers too, and technicians and middle and lower management.

The central labour organizations are four in number:

●● The Confédération générale du Travail (CGT) has the largest membership. Communist militants long formed a minority within the CGT. They left it first in 1921, after their attempt to get it to join the Communist-oriented trade union international had been defeated, but rejoined in 1936. They were expelled from the organization in 1939 at the time of the Russo-German Pact. After the Second World War they were in a majority and they took over the organization in 1948, forcing the departure of the non-Communists. These formed a new organization, the Confédération générale du Travail - Force Ouvrière, commonly known as the Force Ouvrière (FO).

The CGT is affiliated to the Communist World Federation of Trade Unions (WFTU).

●● The Confédération générale du Travail - Force Ouvrière (FO), born of the 1948 schism, claims to be a continuation of the pre-1948 CGT. It has adopted its history and doctrines and is, for this reason, particularly attached to the notion that trade unionism should be independent of political party. The preamble to its statutes states: "The Force Ouvrière unions recall the vital necessity for trade unionism of self-determination ... in accordance with the spirit that inspired the Federal Congress of Amiens in 1906". This is an explicit reference to the text embodying the original doctrine of pre-1914 trade unionism, which was by definition independent and evolutionary.

The FO is a member of the International Confederation of Free Trade Unions (ICFTU).

●● The Confédération française démocratique du Travail (CFDT) is a continuation of the Confédération française des Travailleurs chrétiens (CFTC) founded in 1919. The CFTC became the CFDT in 1964 following a long process of transformation. The change means that reference to the social doctrine of the Church has been abandoned and the programme of the Confederation has been given a firmly socialist direction. This development of Christian trade unionism has recently been extended in some measure to the international sphere, through the transformation of the International Federation of Christian Trade Unions (IFCTU) into the World Federation of Labour (WFL).

The CFDT is affiliated to the WFL.

●● The Confédération française des Travailleurs chrétiens (CFTC) draws its members from the militants who, at the time of the "de-conformist" Congress (1964), rejected the change from CFTC to CFDT, preferring to maintain the tradition of Christian trade unionism. The CFTC bases its policy on the social doctrine of the Catholic Church. It has no international affiliation.

The professional organizations

These organizations draw their membership exclusively from certain categories of salaried workers.

●● The Fédération de l'Education Nationale (FEN) draws its members from the teaching staff of state educational institutions. Before the 1948 schism, teachers were affiliated to the CGT. At the time of the schism, the FEN preferred to preserve its internal unity and not to choose between the CGT and the FO. It contains a number of disparate elements: the so-called "autonomous" element commands majority support (65 to 70%) and corresponds more or less to the FO line of thinking. The "Unity and Action" element which is inspired by the Communist Party, takes second place (22 to 25%). And lastly, there is an anarcho-syndicalist element (6 to 8%).

●● The Confédération générale des Cadres (CGC) was formed in 1944 and results from the merging of the Fédération nationale des Syndicats d'Ingénieurs and the Confédération générale des Cadres de l'Economie française. It attempts to draw its membership, in branch unions, from salaried employees who have reached a certain level of advancement (technicians and management). It is essentially a "middle-class" union.

Other organizations

There are in France a certain number of so-called "independent" or "autonomous" trade-union organizations. In most cases they are associated with a particular sector of industry or a particular industrial enterprise. Most of them are in the Paris region and their influence at national inter-union level is limited. It is difficult to estimate their membership, though it is certainly small. Notable among them are the Confédération générale des Syndicats indépendants, the Confédération française du Travail, and the Confédération autonome du Travail. The Confédération nationale du Travail (CNT) is a survival of the anarcho-syndicalist element which dominated the CGT up to the First World War. The CNT draws most of its members from among Spanish political refugees.

HISTORICAL DEVELOPMENT

The divisions between the unions in France can be explained by the fact that trade unionism in that country has from the outset been based on ideological affiliations. Such divisions were not, however, any part of its mission. Trade unionism originally intended to replace a highly stratified and divided world with an egalitarian and unified society. It created its own doctrine and tried originally to keep its distance from political attempts at social reform, which were too many and too divided.

Revolutionary trade unionism

Formed at first illegally, trade unions became legal in 1884. They formed a national inter-union organization in 1895, the CGT. Strongly impregnated with anarcho-syndicalist thinking, the CGT militants elaborated a coherent doctrine of revolutionary trade unionism. This doctrine continued to prevail within the CGT up to 1914. It may be summed up in simple terms as follows:

"Social justice can result only from the expropriation of capitalism and the establishment of an egalitarian society, based on the organization of production and distribution by the union". This transformation could only be brought about by the working class, organized in trade unions. "Trade unionism summons the workers to the struggle and calls them to action against all the forces of the State, against political corruption and against capitalist exploitation,

and shows itself as the power capable of regenerating the world. Today it is the great instrument of battle; tomorrow it will be the great renewing force", wrote Griffuelhes, the Secretary of the CGT. Other means, notably universal suffrage and the parliamentary system, constituted a swindle in which socialist deputies take part. The bourgeoisie drew its strength only from the support it received from the State, and hence the army and the police, and from the Church. This organization of society for oppression was presented to the people as being necessary to national solidarity, on the basis of an artificial concept: the nation.

"The nation appears to the worker in the form of the boss, the foreman, the soldier, the judge and the jailer" or again: "For the worker, his 'country' is where he works", according to Griffuelhes.

This is why the CGT claimed to be internationalist: "Geographical frontiers are altered at the will of the owners ... The workers recognize only the economic frontiers separating the two opposed classes: the working class and the capitalist class". The ground on which the battle was to be fought was therefore that of social class, the weapon in the class struggle being the general strike.

Within the CGT, agreement was not however unanimous on this concept of trade unionism. There were two other currents of opinion: on the one hand, the marxists who were in agreement on the revolutionary intention, but did not think that trade unionism could achieve the Revolution alone, without the political leadership of the Party, which would be composed of the elite of the workers. On the other hand were the reformists, who wished to confine trade-union action to the economic and social spheres, with a view to effecting a gradual improvement in the condition of labour.

These currents of opinion were to co-exist within the CGT up to the First World War. The war marked the collapse of revolutionary trade unionism. The myth of the International crumbled. Under the banner of "Sacred unity", the leaders of the CGT gave their support to the national cause. They explained this by the astonishing change of opinion on the part of the working class: "At that moment, the working class would not have left it to the agents of the government to shoot us; they would have shot us themselves", said Merrheim, the secretary of the Fédération des Métaux.

At the end of the war, two currents of opinion came face to face within the CGT: those who wanted to effect social reforms, exploiting the agreement reached with the government during the war; and those who wanted revolution. To these, the Revolution of October 1917 offered hope and an example ...

At the same period, another event occurred which had, at the time, few repercussions and which was to remain of only marginal interest between the wars: the founding in 1919 of the Confédération française des Travailleurs chrétiens (CFTC) which, in contrast to the CGT's policy of class struggle, aimed to promote reforms in the spirit of the social doctrine of the Catholic Church as defined in the Encyclical *Rerum Novarum* (1891). The CFTC defined its objectives as follows: "The aim of our trade union action would be to achieve the principle of peaceful collaboration of capital and labour in any enterprise and to divide the profits equitably ..."

The ideological split

The chief peculiarity of French trade unionism, from this period onwards, was to live out within its organization all the crises resulting from the great ideological conflict which was to divide the world from 1917 on. The periods of worst division and the periods of relative unity were to be merely the reflection of the various phases in the development of this conflict.

The founding of the Communist International was to bring the first schism in the CGT. The Communists, checked in their aim of getting the CGT to join the new International, left the CGT and formed a dissident organization, the CGT "unitaire" (1921). The rise of the Fascist threat all over Europe restored a measure of unity between dissident organizations, and the Communists rejoined the CGT under the auspices of the Popular Front (1936). But the signing of the Russo-German Pact resulted in the exclusion of the Communists from the CGT (1939), which was itself eventually banned by the Pétain government.

When the Russo-German Pact was broken by Germany, and German troops invaded the USSR, the Communists joined the CGT militants involved in resistance to the occupying forces. Together they laid the basis for the re-formation of the CGT which was reformed at the end of the war. But the beginning of the cold war brought a new schism and the founding of the FO.

Evolution of the Christian unions

Alongside this branch of French trade unionism, torn between two opposing concepts - trade unionism conceived as "a line of communication between the Party and the masses" and trade unionism aiming to determine quite independently both its objectives and the means of achieving them - a separate development was taking place: the slow rise and transformation of Christian trade unionism. A few landmark events will suffice by way of illustration.

At the time of its foundation in 1919, the CFTC already contained two schools of thought: those who aimed to keep the organization in strict observance of Catholic social doctrine

and obedience to the Church hierarchy, and those who claimed a certain independence of judgement and initiative. The Popular Front offered Christian trade unionism its first real opportunity of taking an active part in the social struggle, and the foundation of the international Young Christian Workers (YCW) brought about an increasing "radicalization" in the organization's style. The formation of the Syndicat général de l'Education nationale within the CFTC added another progressive element.

The war provided a new opportunity for rethinking the CFTC's relationship with the Church. The organization was disbanded at the same time as the CGT, and participation by CFTC militants in the Resistance brought them closer to other trade unionists and to socialism. They refused, however, to enter the CGT in 1945 for fear of losing their specifically Christian character.

The CFTC's progress towards separation from the Church gathered speed from 1946, the date on which the "Reconstruction" study groups under the influence of YCW militants replaced the reference in the statutes to the Encyclical *Rerum Novarum* by a simple mention of "Christian social morality". The CFTC was also gradually severing its links with the Christian democrats (the MRP party). This line of development ended with the formation of the CFDT in November 1964 and the dropping of the reference to "Christian social morality".

To make a valid assessment of the extent of the transformation, one only needs to compare the text quoted earlier, which defined the old CFTC as seeking cooperation between capital and labour, with the declaration made by the present secretary-general of the CFDT, Eugène Descamps, to the effect that "trade unionism should not be the social aid of capitalism". The present CFDT advocates the establishment of democratic socialism.

A MINORITY TRADE UNIONISM

Some would explain on grounds of the divided nature of the movement the second characteristic feature of French trade unionism: its small membership. It is not possible to give precise figures. Estimates, whether from the organizations themselves or from outside sources, vary considerably. It may however be put forward, without running the risk of violent contradiction, that the rate of union membership is somewhere around 20 to 22% of the wage-earning population.

This low percentage is constant, except for certain rare occasions, as for example in 1920 when the CGT had some 2,400,000 members, 1936-37 when it had 5,000,000 and the CFTC 250,000, and 1945-1947 when they had 5,400,000 and 350,000 respectively.

Today, the CGT has probably something between one and two million members and is undoubtedly the largest body. The FO has perhaps 500,000 members. The CFDT is almost certainly larger than the FO and is probably growing faster than the other federations. It is regarded by many as the best organized and most militant of the three. The FEN has perhaps 400,000 members and the CGC around 200,000. The CFTC is now very small.

Trade unionism is of course a minority movement in all Western countries except the Scandinavian countries and Belgium. The rate of trade union membership does not exceed about 40% in Britain, 30% in Western Germany and 25% in the USA.

With regard to France, this statement requires qualification: the rates vary very much from sector to sector. Membership is very high among teachers (90%), among gas and electricity workers and in the public sector generally, whereas these sectors have generally poor union membership in other countries. On the other hand, trade unionism has made little progress in the retail trade, and in the building and textile industries. More advanced industries (electronics, oil, chemicals, etc.) have a relatively higher membership rate than traditional industries.

The reasons for this apparent disaffection are difficult to determine. The divided nature of the trade union movement is often cited. But during periods of relative unity (1945, for example) only 40% of wage-earners were union members. And in other countries where trade unionism is just as divided (the Netherlands for example), the rate of union membership is higher.

The ideological commitment of French trade unionism might also provide a partial explanation. But why should this constitute an obstacle to unionization in France when it does not do so in other countries?

Some observers advance another reason: the relatively "centralist" character of the organizations, which is held to result in a kind of "summit trade unionism" and a degree of apathy among the masses. Again, the fact that the essentials of the social progress from which the workers have benefited are embodied in legislation and not, as in other countries, in negotiated agreements, may explain the position of the trade unions in France. Another factor is that union dues tend to be low and irregularly collected with the result that the unions are relatively weak in terms of finance, staff and the services they can provide.

The historian Georges Lefranc for his part puts forward the theory of French individualism in explanation of low unionization. He adds that this individualism, while it abhors mass organization and the discipline required by any kind of structure, even a democratic one, does not preclude

support for initiatives taken by the militant minority, or the possibility of spontaneous outbursts. In this connection, it must be emphasized that the French unions - with those of Italy and Belgium - are among the few to have undertaken inter-union strikes at national level.

THE FRENCH TRADE UNIONS AND EUROPE

From the beginning, French trade unions were divided over the attitude to be adopted towards the European movement. The CGT, following the line of the French Communist Party, which was in fact that of Moscow, declared its hostility to European integration; the FO and the CFDT were in favour, while realizing that the three Communities had serious shortcomings from a union viewpoint. These basic positions have remained relatively unchanged over the years.

Thus, in June 1967, at the CGT Congress (Communist unions), the confederation's secretary Léon Mauvais declared: "As a closed economic grouping, the Common Market has largely contributed to the development of monopolistic competition ... It has provoked a monopolistic development of the economy by fostering new and serious economic and social contradictions ... It has led to measures of stabilisation and has caused recessions and stagnation, accompanied by a growth in unemployment to be found, at present, in the economies of most of the member countries ..."

The FO and the CFDT would not accept this view. While the Schuman Plan, leading to the foundation of ECSC (European Coal and Steel Community), was denounced by the CGT as being the work of American imperialism, the FO and the CFDT supported this first of the European Communities. They approved in particular its supranational character, and saw it as the forerunner to the overall European integration - political as well as economic - which they hoped for. They have maintained their support for the Community without wavering.

This does not mean that the CFDT and FO are in favour of any kind of Europe. The present general secretary of FO, André Bergeron, recently said: "A Europe from which the workers are excluded is condemned in advance to failure. The economic and social problems involved in the building of Europe must lead to a political Europe".

Priority for social objectives

The trade unions in favour of Europe are chiefly concerned with its democratization and with achieving the social objectives set out in the Rome Treaty. In this connection, they cannot conceal a degree of disappointment. Thus, Syndicalisme, the official organ of the CFDT, carried the statement: "While Europe, from a business stand point, is well ahead of the dates laid down in the Rome Treaty, in its social aspects it is lagging behind ... Trade unionism must act decisively in the coming

months to see that French workers do not bear the cost of the Common Market ... We must work for the only valid Europe, the Europe of the workers and the people". For FO, "the progress made in determining common social policies is manifestly inadequate ... Recognition of the dynamic part a social policy would play would remedy this situation ... Hence the necessity for a dynamic common policy with regard to employment ..., and the improvement of living and working conditions by a realistic policy of aligning them at the highest possible levels".

The demand for participation

From the formation of the Coal and Steel Community in 1952, the CFDT and FO made it clear that they were willing to be associated in decision-making at all levels. More recently, they have also made it clear that they are disappointed at the direction Europe is taking. André Jeanson, the federal secretary of the CFDT, told the Community's Economic and Social Committee in 1967: "The European economy now being shaped is based on the same principles, with the same methods and objectives, as the national economies of the six member countries, and we are not in agreement with the principles, or the methods, or the objectives, any more than we were at national level". The FO and the CFDT demand, along with the unions of the other Community countries, a much larger say in the Community's development, and even the CGT is now prepared to co-operate in the various consultative bodies on which the unions are represented.

For further reading:

J. Montreuil. Histoire du Mouvement ouvrier en France. Paris: Aubier.

Reynaud. Les syndicats en France. Paris: Dunod.

THE NEED FOR AN INDUSTRIAL POLICY AT THE EEC LEVEL

New Commission report

Tariff-free movement of goods and free movement of workers have existed in the Community since 1968. But if industrial expansion is to go on, and working and living conditions to continue to improve, policies on industrial development must now be adopted, the European Commission says in its first major statement on industrial policy. It adopted in March a 350-page memorandum which analyses the present industrial situation in the Community, calls for closer co-ordination between the member governments, and sets out the lines which, in the Commission's view, industrial policy should take in the future. The Commission hopes its memorandum will serve as a basis for wide-ranging discussions involving the Community institutions, the national governments, the unions and the employers organizations, and public opinion generally.

The report was welcomed by the Council of Ministers at its April 21-22 meeting, and the European Parliament and the Economic and Social Committee were asked to submit official opinions on it. The Council will take up the matter again in June.

The introduction to the memorandum tries to place industrial policy in an overall context. The aim must be qualitative and not just quantitative - the point of greater industrial development is to make life better for the Community's workers and citizens. In preparing its policy for a modern industrial society, the Commission had in mind a number of wider objectives which it will deal with in detail in a later document:

- i). better working conditions and increased dignity for those employed in industry, particularly manual workers;
- ii). greater participation by workers both in deciding on the overall objectives and in the day-to-day running of firms;
- iii). improving the general level of education and culture;
- iv). the protection of the living and natural environment;
- v). a more just distribution of wealth throughout the world.

Within this overall concept the memorandum proposes action along five basic lines.

1. The completion of the single market: although tariffs have disappeared in intra-Community trade, firms are still prevented from taking full advantage of the wider Community market by technical barriers. The elimination of these obstacles must be speeded up. An example here, which highlights both the economic aspect of this problem and its links with protection of the environment against pollution, is the recent adoption

by the Council of Ministers of a directive harmonizing national standards for motor car exhaust systems. The Commission also wants the national governments to modify their purchasing policies so that firms throughout the Community can tender for public contracts.

2. Unification of the legal, tax and financial framework within which firms operate: the Commission wants a resumption of work on the proposed European company statute which would facilitate mergers between firms in different EEC countries. It also wants the harmonization of tax laws which affect mergers, and of other forms of taxes on companies, and stresses the need to create a real common market for capital if firms are to be able to take full advantage of the whole Community's financial resources.

3. Industrial rationalization: in many sectors there is a need for more concentration, though this should not go so far as to establish monopolies or near monopolies which would threaten competition. Mergers within the EEC have so far been overwhelmingly within individual countries, or have involved American companies taking over European ones. The Commission favours European cross-frontier mergers which are less likely to lead to national monopoly situations and which remain within the possibility of European political control. It considers that the European Investment Bank should be empowered to help bring about such mergers, which are particularly necessary in the advanced technology industries. (This would give the EIB an additional role resembling in some respects that of Britain's Industrial Reorganization Corporation.)

4. Measures to ease change: the Commission notes that patterns of employment are already changing as a result of industrial change, and it feels that this trend is bound to continue. A much more energetic and positive policy will be necessary to minimize any painful effects this may have on the workers concerned and ensure that in fact working conditions, earnings and skills are improved. The Commission stresses the urgent need for advance forecasts of likely trends and frank negotiations between managements and unions. It points out the importance here of an active regional development policy and of the reform of the European Social Fund (see p.31). The Commission also urges improved management techniques and calls on Community firms to set up a "European Management and Training Foundation".

5. Relations with non-member countries: the memorandum calls for joint Community action on such things as export credits and subsidies, non-tariff barriers to trade, barter operations and investment in State-trading countries, protection of the natural environment, raw materials and energy supplies, promotion of investment, the control of multinational companies, and technological co-operation.

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RETRAINING AND RESETTLEMENT IN COAL AND STEEL

The European Social Fund was set up by the EEC Treaty in 1958, and at the moment its reform is under consideration (see p.31) and also Trade Union News No. 1, p.15). But the European Coal and Steel Community has had its own readaptation fund, operating since the foundation of the ECSC in 1952, to help workers in coal and steel adapt to new circumstances. In July 1967 the executive bodies of the three European Communities - ECSC High Authority, EEC Commission and Euratom Commission - were merged into the single Commission of the European Communities, which now administers both funds. But the ECSC Treaty gave the High Authority considerably greater freedom of action, legally and financially, than the EEC Commission had in running the Social Fund. This still remains the situation today. Thus for example, in 1969 the ECSC readaptation fund spent \$26.5 million on workers in coal and steel, while the Social Fund was able to provide only \$36.5 million for workers in all other sectors.

From 1952 to 1969, the European Coal and Steel Community provided \$133 million to help retrain and re-employ 400,000 workers, of whom 311,000 were coalminers. An equivalent sum was contributed by the member governments concerned.

In Germany 194,000 out of a total of 228,000 helped were colliery workers and in Belgium coalminers amounted to 74,000 out of 79,000.

Since 1965, the amount of credits opened and the number of workers affected have increased appreciably. Credits rose from under \$2 million in 1964 to almost \$19 million in 1967; after a decline in 1968, they were almost \$30.5 million in 1969. This trend is mainly due to a speed-up of modernization operations in Germany, and to the rapid pace at which Dutch pits are being closed.

The authors of the Paris Treaty realized that the increased competition resulting from establishment of a vast common market for coal and steel might create serious employment difficulties for workers in these industries. They therefore included measures specially designed to ensure that workers did not bear the brunt of economic change.

From 1958 onwards, it became apparent that the Community's industries would have to contend with considerable structural changes, involving a prolonged readaptation policy. Particularly acute were the social and economic results of the coal industry's declining share of the energy market. As a result, a paragraph was added to the Treaty in 1960 making it possible to aid workers discharged as a result of "profound changes in the marketing conditions of the coalmining or of the iron and steel industry".

The Community is not tied to any particular conditions in retraining, and this flexibility has proved very useful. As needs vary considerably between the various countries and regions, forms of aid which are not suitable in one place have been used widely in others. The procedures by which aid is granted are set out in various conventions and agreements between the six governments and the High Authority.

At present aid can take the following forms:

Help for workers who have to take a lower paid job

- Guarantees for a limited period of a specific percentage of the wages received before redundancy. The length of this period is as a rule 12 months in Germany(1), Belgium(2), France(3) and Luxembourg, 15 months in Italy, and between 12 and 30 months according to age and length of service in the Netherlands. The wage guarantee is normally between 90% and 100% of the previous net wage, except in the Netherlands, where it is 60% of the difference between the previous wage and the new one. In Germany, France and Luxembourg there is a ceiling to the guaranteed wage.

Help in readapting to a new job

- Contributions to the cost of vocational retraining (operating costs of training centres, payment of part of the wage for the new job during the period of adaptation).
- Guarantees of a specific percentage of the previous wage during retraining courses (between 85% and 100% of the previous wage, according to country).
- Bonuses when the retraining course is successful.
- Contributions to wages and social security payments in the new occupation for elderly and physically handicapped workers (Belgium).

Help for workers who have to move

- A lump-sum resettlement grant and refund of travel and removal expenses for workers and their families.
- Refund, in certain cases, of additional daily travel expenses and payment of an allowance when the worker cannot bring his family to the new region (Germany, Lorraine, Netherlands).

(1) 18 months for workers aged 45 and over.

(2) 18 months for certain categories of elderly or handicapped workers.

(3) 24 months for colliery workers in the Centre and Midi.

Help for workers awaiting new employment

- Guarantees for a limited period of a specific percentage of the wage received before redundancy. This percentage is generally around 70% to 80%, with a ceiling to the reference wage in all countries except the Netherlands. The duration of aid is as a rule the same as that mentioned above for re-employment.
- A standard allowance for workers aged 40 and over and for physically handicapped workers.
- Payment of wages and social security contributions when a mining or steel firm lays off its workers temporarily during a period of internal reorganization.

The principle of readaptation aid has now become part of the laws and customs of the six countries. In addition, the Community's financial aid - even when not substantial - enables it to exert some influence on the structural changes. Employers in the ECSC industries must prepare detailed dossiers before they can obtain aid, which encourages them to assess carefully their employment needs, and helps limit the number of workers discharged.

On the whole, ECSC readaptation measures have enabled the coal and steel industries to undertake modernization which had to come sooner or later, without placing serious burdens on their workers. They have provided an indispensable link between closures and industrial redevelopment.

ECSC readaptation measures 1952-June 30, 1969

	Credits provided by the Community (\$ millions)(1)				Estimated numbers of workers affected			
	Coal mines	Iron and steel	Iron- ore mines	Total	Coal mines	Iron and steel	Iron- ore mines	Total
Germany	62.5	3.9	1.7	68.1	193,864	23,501	10,408	227,773
Belgium	18.9	1.8	0.005	20.7	74,003	5,227	37	79,317
France	3.5	2.9	2.5	9.0	11,308	12,644	7,906	31,858
Italy	2.6	10.6	0.8	14.0	6,391	18,331	1,295	26,017
Lux.	-	-	0.2	0.2	-	-	220	220
Neth.	9.2	0.3	-	9.5	24,686	808	-	25,494
ECSC	96.8	19.5	5.2	121.6	310,252	60,561	19,866	390,679

(1) Matched by contributions from the member states involved.

Industrial redevelopment

Two other linked fields in which the ECSC has powers which the EEC does not possess are those of industrial redevelopment and workers' housing. The 1960 amendment to the ECSC Treaty also empowered the High Authority to use its considerable financial resources, through loans and guarantees, to encourage industries outside its own sectors to invest in areas where mines or steelworks might have to close down. The latest figures show that the Community made available during the period 1966-69 loans to the value of \$160 million. The total value of new investment projects receiving Community help exceeded \$1,000 million, involving the creation of about 100,000 new jobs.

Housing

The ECSC is also able to help financially in the construction of housing for coal and steel workers. Thus up to the end of 1969, the Community had contributed to the cost of 112,451 dwellings (flats and houses), of which 61% were for letting and 39% for owner-occupation. 105,518 of these were completed by that date. Community aid amounted to \$260 million, out of the total building cost of \$1,132 million.

EAST/WEST TRADE IN EUROPE

The value of trade between the countries of Comecon - the East European Communist states(1) - on the one hand and the European Community countries (and also the UK) on the other have substantially increased in the past decade, and the share of the Community and UK in total Comecon trade has also risen. Over the same period, Comecon countries in general have also become more interdependent as the value and the proportion of the trade which they do with each other have risen; this in large measure reflects the decline in trade between the Soviet bloc and China. These trends emerge from a recently published European Commission bulletin(2).

In 1958, the seven European members of Comecon - USSR, Poland, Czechoslovakia, East Germany, Hungary, Rumania and Bulgaria (figures for Albania are not fully available) - took 58% of their imports from each other; in 1968 the proportion was 63.5%. With exports the proportion rose from 58% to 60.5%. This trend

(1) *Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania, USSR and Mongolia. Albania withdrew in 1961.*

(2) *Foreign Trade of the Eastern European Countries 1958-68 (supplement to monthly trade statistics, 1969, No. 6) European Community Statistical Office.*

affected all the Comecon countries individually, except Rumania, which has shown a marked reorientation in her trade towards Western countries in recent years. The USSR also shows a variation from the general pattern as regards her exports, the direction of which remained static, with 54% in 1958 and 53% in 1968 going to other Comecon countries. However, as regards Soviet imports the respective proportions were 51% in 1958 and 60% in 1968.

Over the same period all Comecon countries except East Germany also increased the proportion of their trade with Western European countries. In 1958 the Comecon countries took nearly 8.8% of their imports from the Six and 2.5% from the UK, and sent to these countries 8.8% and 2.7% respectively of their exports. By 1968 the import proportions had risen to 11.7% from the EEC and 3.1% from the UK, and the export proportions were 9.5% to the EEC and 3% to the UK.

Of individual EEC countries, Italy shows the greatest increase in trade with Comecon in 1958-68; Federal Germany shows the smallest increase, but it nevertheless still accounts for nearly 40% of all Community trade with Comecon. If trade with East Germany is excluded, Federal Germany showed a marked increase in 1958-68 in trade with other Comecon countries. Trade between East and West Germany, already at a high level in 1958 grew relatively slowly - by 52% - over the next ten years. Three quarters of all East German trade with the Community is with the Federal Republic.

Comecon trade with EEC, UK and USA

	Imports			Exports		
	1958 \$m	1968 \$m	% increase	1958 \$m	1968 \$m	% increase
Comecon total	10,172	23,921	135	10,315	25,153	145
Federal Germany	464	1,078	134	474	1,038	119.
of which						
E-W Germany	190	289	52	211	331	57
France	171	621	264	165	341	106.
Italy	99	610	516	109	589	440
Netherlands	83	282	240	104	235	126
Belgium/Lux	72	203	182	58	184	218
EEC	888	2,794	215	910	2,387	162
UK	252	738	193	277	749	170
USA	116	178	53	70	175	150

CONTACTS BETWEEN THE TRADE UNIONS IN WEST AND EAST GERMANY

As a result of a resolution adopted at its 1966 Congress, the West German trade-union federation (DGB) began a series of contacts with unions in East European countries. These were abruptly broken off by the DGB as a reaction to the Soviet military intervention in Czechoslovakia. But the May 1969 Congress instructed the Executive Committee to make contact once more with the unions in the East, though stressing that this in no way implied that the DGB now condoned the events in Czechoslovakia.

DGB President Heinz Oscar Vetter wrote on February 4, 1970 to Herbert Warnke, President of the East German trade-union federation FDGB, who replied on February 19. The following are extracts from the two letters.

DGB (West German) letter:

"The Executive Committee of the DGB has thoroughly examined the question of possible contacts with the FDGB and supports any initiative which will promote international détente.

"Anxious to contribute to the improvement of relations between different peoples, to the maintenance of peace and the well-being of the workers, we have also initiated talks with the unions of the other Warsaw Pact countries, and we will strive to achieve positive results.

"Our aim is to see if contacts between our organization can further peaceful co-existence and the common interests of the two parts of Germany. It is not our intention to involve ourselves in the internal affairs of other countries We consider indeed that all interference in the organizational affairs of the other body is incompatible with the spirit of peaceful co-existence and the right of self-determination of members within their own associations.

"..... It is clear that our organizations have very different views on many political and social questions. We hope however for an objective appreciation of the existing social systems and trade union aims. For this reason, each of our organizations must be able to put forward their views in the press of the other.

"Exploratory talks between representatives of the DGB and the FDGB should enable us to judge the value of official contacts ... Preliminary talks, which could be held in the near future, would be necessary to discuss organizational problems".

FDGB (East German) reply:

"..... The Executive Committee of the FDGB is ready, as it has proposed on several occasions to have negotiations, on the basis of full equality of rights, with the Executive Committee of the DGB on the establishment of normal relations between the trade union confederations of the German Democratic Republic (GDR) and the Federal Republic.

"We consider indeed that, despite the existing differences between the social order in the socialist GDR and the Federal Republic, where a state monopoly régime prevails, there exist important common interests between the workers and the trade unions of the two states.

"Discussions between representative delegations from the FDGB and the DGB can help international détente, the maintenance of peace and the establishment of peaceful co-existence between States with different social systems, and in particular the GDR and the Federal Republic.

"To ensure the welfare of the workers, the discussions should also cover such subjects as trade union rights, social, cultural and educational policies, equal rights for women, the basic rights of the young generation, and the right to up-to-date occupational training. We consider that it would be opportune to hold direct consultations between official delegations from the Executive Committees of the FDGB and the DGB and we propose Berlin, capital of the GDR, as the venue for the first meeting.

"Nevertheless, if the DGB Executive Committee prefers that the two Presidents should meet first to prepare the joint deliberations of their delegations, we would accept this solution".

CALL FOR A COMMUNITY EMPLOYMENT POLICY

"Tripartite" conference in Luxembourg

The unions, the employers, the European Commission and the six Ministers of Labour have agreed on the need to establish machinery for working out a harmonious employment policy for the Community as a whole. This was the main conclusion of the "tripartite" conference held in Luxembourg on April 27-28.

In addition to the Commission and the six governments, all the unions and employers' bodies represented at the Community level took part. For the unions this meant the European Confederation of Free Trade Unions in the Community (ECFTUC), the European Organization of the World Federation of Labour (WFL), the Confédération Internationale des Cadres (white-collar unions) and the liaison bureau of the French and Italian Communist Unions (CGT and CGIL), plus the French Christian workers (CFTC) and the German white-collar union (DAG) since these two are not affiliated to any of the international bodies represented. The meeting was chaired by Louis Major, Belgian Minister of Labour and Employment and former General Secretary of the Belgian socialist trade-union federation FDGB.

By and large the employers insisted mainly on better vocational training, geographical and occupational mobility of labour and more information about the labour situation. The unions emphasized more their demand for special Community-level institutions in the employment field.

Need for more information

There was general agreement that if economic union was to be achieved without the risk of disruptions in the employment situation, then a positive Community-level policy was required. In particular, the need was stressed for more research and better information and statistics about employment and unemployment, and suggestions were made that regular forecasts of labour supply and demand should be made, both overall, and by sector and by region(1).

The need for Community action in the field of industrial training and retraining was also emphasized, and the unions in particular were anxious about the possible effects on workers of technological and structural change. In considering the role of migrant workers, both employers bodies and the unions urged that immigrants from outside the EEC, and who do not benefit from the Community's free movement provisions, should be given fair and equal treatment.

Need for Community machinery

Most of the organizations represented put forward suggestions for creating new Community machinery in the employment field. The ECFTUC went furthest here, proposing a "European labour council" on which the unions and the employers' organizations would have equal rights with the governments and the Commission. It would have its own budget and staff, and its main tasks would be to undertake research and studies on probable trends in the employment situation, to co-ordinate the national employment services, and to administer the reformed European Social Fund. At the end of the meeting the employers and the unions (except the CGT and CGIL) were able to put forward a joint statement, though this inevitably went less far than the ECFTUC proposals:

"The representatives of the employers and workers, meeting in the tripartite conference, state that a list must be drawn up and systematic studies made of employment problems on the basis of statistical data and estimates established at Community level.

(1) *In fact a first step forward in this field was taken when the Commission produced in March a report of forecasting methods in the employment field, at Community and national levels.*

"The instruments must be created and perfected, parallel with the achievement of the economic and monetary union, to obtain, at Community level, structural stability between supply and demand of labour with the highest levels of professional qualifications.

"The representatives of the employers and workers, meeting in the conference, invite the Council at its next session to take the appropriate steps to associate the employers' and workers' organizations with the formation of a new instrument of employment policy.

"This new instrument, independently of the other special missions which will be entrusted to it, will also have the task of coordinating the activity of the advisory committees already existing, and whose functioning must be improved.

"In this spirit, and as from now, the representatives of the employers' and workers' organizations meeting in the Conference hope that priority will be given to the reform of the European Social Fund".

Communist attitude

The Communist unions preferred a purely consultative body which would not involve them in the responsibility for decision-making and actually carrying out policy, though if the governments were to accept the joint proposal, the CGT and CGIL would presumably take part.

Most of the Ministers did little more than describe what their governments were already doing and planning. The exception here was Signor C. Donat-Cattin, the Italian Minister of Labour, who surprised his colleagues by supporting completely the union demands for a permanent employment body. He criticized severely the lack of effective employment policy in the past, attacked the "semi-colonialist" policy of encouraging immigration from outside the Community and called for a real political resolve to achieve a real Community social policy.

For the Commission, Vice-President Lionello Levi-Sandri, who has special responsibility for social affairs, also stressed the urgency of the need for a common employment policy. This necessitated, he said, the reform of the European Social Fund and a common method of employment forecasts, plus political determination, adequate financial resources and the latest technical tools, including computers.

The Ministers meet again, in the Council, on May 25-26 in Brussels, and will then have to decide what action to take. Though it is more likely that their governments will prefer a consultative body rather than one with real powers as advocated by the ECFTUC, the general principle that the two sides of industry should be closely associated with the formulation of employment policy seems now accepted.

THE EUROPEAN COMMUNITY'S OVERSEAS LINKS

The European Community is the world's biggest importer and exporter, and as such is a major force in world trade. Apart from the applications for membership from Britain, Ireland, Norway and Denmark, over 30 other countries, mainly in Europe, Africa and the Middle East, have negotiated - or are in the course of negotiating - special trade and association agreements.

Association agreements, concluded under Article 238 of the Rome Treaty, provide for mutual rights and obligations; these may be extended to such fields as free movement of capital and services. In the case of European states association agreements are concluded in the perspective of possible Community membership, and there is a tacit obligation to practise democratic means of government. Trade agreements can be preferential, or non-preferential: in the latter, the concessions granted are extended to all other countries who are members of the General Agreement on Tariffs and Trade (GATT).

Negotiating procedure

Normal procedure in arriving at trade agreements with the Community is for initial contacts to be made between the Commission and the country concerned. The Commission seeks authority from the Council of Ministers to conduct formal negotiations for the Community as a whole. The results of the negotiations are then put to the Council for acceptance, after the European Parliament has had a chance to discuss them.

Africa

Eighteen African states have been associated with the Community since 1958, when they were still dependencies of France, Belgium or Italy. Since 1963, this association has been governed by the Yaoundé Conventions, the first of which was signed in 1963 and the second last year. The products of these eighteen associated and developing states enter the Community duty-free; in return Community exports are granted preference in their markets. However, the African states have the right to restrict this preference in order to help their balance of payments, meet revenue needs or assist infant industries.

Three Commonwealth countries, Kenya, Uganda and Tanzania, have jointly made a similar arrangement with the Community (the Arusha agreement), although not in quite such wide terms. But mutual preferences have been granted, and these three countries now grant preference on some goods to the EEC over the UK.

A fourth Commonwealth country, Nigeria, signed in 1966 an association agreement giving mutual preferences; but the agreement has not been ratified by all seven signatory countries.

<u>Trade with the European Community</u>	Imports		Exports	
	Total (\$m)	% from EEC	Total (\$m)	% to EEC
Mauritania (1968)	36	59	70	62
Senegal (1968)	181	71	151	76
Cameroon (1968)	188	71	189	70
Central African Republic (1968)	40	77	36	45
Chad (1968)	39	64	28	76
Dahomey (1967)	49	77	15	61
Gabon (1968)	65	74	125	49
Ivory Coast (1967)	264	72	325	65
Madagascar (1968)	170	76	116	40
Mali (1968)	34	38	11	28
Niger (1967)	46	60	26	70
Rwanda (1968)	23	37	15	28
Somalia (1967)	40	34	28	36
Togo (1968)	47	50	39	82
Upper Volta (1968)	41	56	21	19
Congo (Kinshasa) (1967)	256	55	441	58
Congo (Brazzaville) (1968)	84	76	49	64
Burundi	n.a.	n.a.	n.a.	n.a.
Total for 18	1,603	65	1,685	60
Kenya (1968)	321	21	176	19
Uganda (1968)	123	24	186	9
Tanzania (1968)	215	24	228	13
Nigeria (1968)	541	28	591	36

Europe

Greece: The first association agreement concluded by the Community came into effect in November 1962 with Greece. The two sides granted mutual trading advantages which were planned to develop by stages towards a customs union and, in the long term, Greek membership of the Community. Loans totalling \$125 million were to be made to Greece by the Six. Since the Greek military coup d'état of 1967, however, this agreement has been "frozen" by the Community although the preferences granted by that time continue in force. Development aid of \$56 million has been withheld. And in April 1970 the European Commission issued a strongly-worded statement condemning the Greek régime and hinting that those parts of the association agreement which are still operating would have to be reconsidered.

Turkey: In December 1964 a three-stage association agreement came into effect with Turkey, aiming at an eventual economic union. It began with a 5-year preparatory stage and negotiations have begun on the move to a 12-year transition period in which a customs union will be achieved. \$175 million in aid loans are being provided.

Spain: Spain's 1962 application for an association agreement leading to eventual full membership came to nothing because of the political attitudes towards the Spanish régime of some of the six governments. In 1969 negotiations for a preferential trade agreement began. The final round of negotiations was held in March and an agreement is expected to be signed shortly. It seems that EEC tariffs on most Spanish industrial goods will be cut by a total of 60%-70% over a period of six years, with smaller but substantial cuts for agricultural produce; Spain will cut her tariffs on most Community exports by perhaps 25%-30%.

Austria: Austria sought association after the suspension of the negotiations with Britain in January 1963. Two political obstacles emerged: the Soviet objection to closer Austrian ties with Germany and the Italo-Austrian dispute over the South Tyrol. The latter problem, as it affects the Austrian position vis-à-vis the Community, has been settled, and a new round of talks has been held. But the Soviet objection remains, so Austria has limited her request to trading arrangements.

Yugoslavia: The final round of negotiations for a non-preferential agreement were concluded in February 1970. A major feature of the agreement will be to provide a continuing market for Yugoslavia "baby" beef exports to Italy.

Malta: First talks have taken place with a view to establishing a stage-by-stage customs union between this Commonwealth country and the Community.

Cyprus: Discussions with the Cyprus government were held in March 1970 on trade questions of mutual interest.

<u>Trade with the European Community</u>	Imports		Exports	
	Total (\$m)	% from EEC	Total (\$m)	% to EEC
Greece (1968)	1,392	44	468	46
Turkey (1968)	771	37	496	33
Spain (1968)	3,504	34	1,588	29
Austria (1968)	2,497	57	1,988	40
Yugoslavia (1968)	1,794	38	1,258	28
Malta (1968)	123	28	34	20
Cyprus (1967)	162	29	82	24

Middle East and North Africa

Iran: Iran was the first country to sign a special trade agreement with the Community, in 1963. The agreement eases tariffs on Iranian exports to the Six; it has now been extended.

Israel: Initially Israel sought an association agreement, but a non-preferential trade agreement was concluded in 1964. Israel renewed the association request in 1967, but a five-year agreement giving Israeli goods and produce preference in the Community was concluded in February 1970. EEC tariffs will be cut by 45% and Israeli tariffs by up to 25%.

The Lebanon: The Community and the Lebanon granted each other most-favoured-nation trade treatment in 1965, and the Six grant technical aid to Lebanon. Talks began in January 1970 with a view to concluding a preferential trade agreement.

The Maghreb Countries - Morocco, Tunisia and Algeria: Algeria, Tunisia and Morocco, former French dependencies, have continued to enjoy mutual trading privileges with France since their independence, and to a lesser extent with other Community countries. Tunisia and Morocco in 1969 signed preferential "partial association" agreements with the Community as a whole, and negotiations with Algeria are being prepared.

Egypt: Egypt asked for a preferential trade agreement at the end of 1969, and has had exploratory talks with the Commission.

Trade with the European Community

	Imports		Exports	
	Total (\$m)	% from EEC	Total (\$m)	% to EEC
Iran (1968)	1,394	39	1,870	10
Israel (1968)	1,082	29	641	26
Lebanon (1967)	480	35	123	27
Algeria (1967)	613	82	778	83
Tunisia (1967)	261	49	150	52
Morocco (1967)	518	53	424	61
Egypt (1967)	792	16	567	19

Other countries

Argentina: Argentina, which has a substantial trade with the Community, asked in February 1969 for a trade agreement with the Community. Two rounds of preliminary talks have taken place, and in March 1970 the Commission asked the Council of Ministers for authority to open formal negotiations.

Uruguay: Uruguay has also requested a non-preferential trade agreement. The Commission is preparing for exploratory talks.

Japan: First talks between the Community and Japan took place in February 1970 with a view to an agreement improving trade relations.

India and Pakistan: The Commission had meetings in April 1970 with representatives of the Indian and Pakistani governments. Both meetings concerned the renegotiation of a long-term agreement on trade in cotton goods and the Community offered to both countries a considerable increase in their quotas of cotton goods coming into the six countries.

<u>Trade with the European Community</u>	Imports		Exports	
	Total (\$m)	% from EEC	Total (\$m)	% to EEC
Argentina (1968)	1,170	24	1,369	37
Uruguay (1967)	172	19	159	26
Japan (1968)	12,989	6	12,974	5
India (1967)	2,691	13	1,611	7
Pakistan (1967)	1,099	18	598	13

V I S U A L A I D S

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● ● Towards economic union

The Common Market's 12-year transition period, which ended on December 31, 1969, was concerned essentially with creating conditions which would permit free movement of goods, both industrial and agricultural, and of persons throughout the Community. Over the next decade the task will be to move towards a real economic and monetary union. The European Commission, in a report published in March, sets out its ideas on how this might be achieved in three stages.

- The first, covering the two years 1970 and 1971, would aim at a general adoption of a value-added tax, the setting up of the \$2-billion medium-term credit fund, closer co-operation between central banks and, perhaps most significant for this very early stage, annual joint consideration of national budgets. The Six would also increase co-ordination between monetary authorities, harmonize taxes on capital and take steps to free capital movements.
- The second stage would cover the years 1972 to 1975 with a possible extension to 1977. It would mark the really decisive progress in the co-ordination of economic policies through the four main criteria: growth of GNP, price trends, employment levels, and the balance of payments. By the end of this period it would aim at complete freedom of capital movements between member countries and uniform levels of rates for value-added tax, excise duties and corporation tax. During this period an important move towards monetary union would be made by narrowing to 1% of the permissible margins of fluctuations between Community currencies.

Central banks would adopt common intervention policies on exchange markets. The member states would agree to common guidelines on credit policies, and, in 1973, adopt a policy of "joint management" of their special-drawing-right allocations in the International Monetary Fund.

- The third and final stage would cover the years 1976 to 1978 but with a possible extension to 1980. It is assumed that during this period all the powers required to ensure economic and monetary union would be granted to the institutions of the Community. The central banks of member countries would have become members of a European federal reserve system, with a central board. A central reserve would by then have been created to which an ever increasing proportion of national reserves would be transferred. The member countries' currencies would be rigidly stable in terms of one another without any permissible margins of fluctuation between them. Steps would be taken to "reinforce" capital markets to prepare for the free movement of capital, and a system of credit notes in Community units of account could be introduced. All tax frontiers inside the Community would be abolished.

The Commission concludes, "The conditions for the creation of a common European currency will then have been satisfied".

Independently of the Commission report, the Finance Ministers of the Six, meeting in Paris in February, had set up a working committee, under Luxembourg Prime Minister Pierre Werner, to examine the whole matter, and in particular the two outline plans of how union might be achieved which had been put before the meeting by Mr. Werner and Germany's Economics Minister Karl Schiller.

● ● Financial agreement signed

Meeting in Luxembourg on April 21, the Foreign Ministers of the Six finally signed the treaty which will give the Community its own independent financial resources. An outline agreement was concluded in December (see Trade Union News No. 2, p.19), and the details completed in February, but the Italians refused to give their final agreement until the long-delayed common wine policy was adopted. Agreement on this was reached after a marathon session of the Council of Ministers on April 20-21.

The financial agreement involves a new treaty, which now has to be ratified by the six national parliaments, because it goes beyond the Treaty of Rome in giving certain powers of budgetary control to the European Parliament. Though this is an important first step in the much-called-for democratization of the Community, it still gives only limited powers to the Community's M.P.s. The Parliament itself has complained that it still cannot reject the budget as a whole, but may only amend it to a minor extent. The Commission, which shares the Parliament's view, has formally disassociated itself from the Ministers' decision and states that the whole question must be considered by 1972 at the latest.

The signature of the financial agreement also clears away the last formal barrier to negotiations with Britain, since the French government had made the former a condition of opening negotiations.

● ● Labour Day message

Lionello Levi-Sandri, Italian socialist Vice-President of the Commission, who has special responsibility for social and labour matters, issued the following message on May 1:

"On the occasion of Labour Day I am happy to emphasize once more the contribution which the working class, organized in free trade unions, is making, and will have more and more to make, to the building of Europe.

"The establishment of a united Europe, based on civil and political rights and on a more advanced form of social democracy, will in effect depend upon the support and participation of the working people of our countries, whose welfare and social progress must be the aim of the Community's economic development.

"It is only if the working people, and the political and trade union organizations which represent them, commit themselves whole-heartedly to the building of this Europe, that it will be possible to create that new and modern society which our people, and in particular the young, hope for. And the wish I want to express on this 1st of May, together with the warmest greetings to all workers in Europe, is that they work together so that in the coming years the building of Europe may see substantial progress and lead to the political unity of a democratic, free and independent Europe.

"I send greetings to your organizations and thank them particularly for their collaboration with the European Commission: I am sure that, as we all wish, this collaboration will continue and become ever closer".

● ● The need to rethink social policy for the 70s

The European Community must have a more active and wide-ranging social policy to meet the changing needs of the 1970s, according to Lionello Levi-Sandri, Commission Vice-President responsible for social affairs. He told the March session of the European Parliament that the Commission was preparing a document covering the whole field of working and living conditions over the coming decade. A general review of social policies and priorities was necessary which would examine what needed to be done both at the national and at the Community level.

"In the changed circumstances", said Signor Levi-Sandri, "social policy assumes an importance which is different from that which the authors of the Treaty of Rome thought they could attribute to it. Many of its aspects will no longer be able to remain purely national: for example, employment policy in an economic union cannot be subdivided into six independent - not to say conflicting - policies. The profound changes in the structure of production which are pending or already in train have important consequences for employment. This is the context of the reform of the European Social Fund proposed by the Commission.

"More decisive action is needed in the social field in response to the new problems created by modern industrial society Economic development very often neglects many essential requirements in the field of health, education, housing It is also vital that the individual should have a sense of purpose in his place of work and in society, and should be able in both spheres to assume his own share of responsibility; and,

finally, the natural balance in our human environment must be re-established and preserved both for contemporary society and future generations".

The European Parliament's own Social Affairs Committee, meeting at the end of March, also called for more rapid action in the social field where progress had not kept pace with that achieved in other spheres of Community activity. In particular they stressed that the European Parliament should exert all the pressure it could, in liaison with the trade unions and other interested bodies, to turn the European Social Fund into an effective instrument of a modern manpower policy.

Community's Social Report: The Commission's latest report on the social situation in the Six in 1969 was published in February. Its main chapters deal with employment situation, industrial training, industrial relations, labour law and working conditions, wages, housing, social security and health and safety at work. The report (*Exposé sur l'évolution de la situation sociale dans la Communauté en 1969*, Commission of the European Communities, February 1970) is available in the official languages of the Community (French, German, Italian, Dutch) from HMSO at £1. 0. 0.

● ● Unions back Commission
on Social Fund reform

The trade union representatives in the Community's Economic and Social Committee strongly support the general lines and objectives of the European Commission's proposals of last June for the reform of the European Social Fund, which finances retraining for workers (see Trade Union News No. 1).

Following normal Community procedure, the proposals were sent to the European Parliament and to the Economic and Social Committee for the advisory opinions needed before the Council of Ministers can come to a decision. Both of these have now given their opinions, approving the general principle set out by the Commission but suggesting that the rules and the financial resources of the revised Fund be extended even further

The Economic and Social Committee, and in particular the trade union representatives, criticized the Commission's proposals however for giving unions and employers no real say in running the Fund. They want it to be administered by a tripartite committee representing in equal numbers, and with equal votes, unions, employers and governments, with the European Commission in the chair. Without the participation, through their various organizations, of those who are to be retrained the scheme has every chance of failing, the unions claim.

● ● Regional policy

The Community's Economic and Social Committee (ESC) has given a general favourable opinion on the European Commission's regional policy proposals of last October (see Trade Union News No. 2, p.20), though it states that they must be seen only as a first step. It stressed in particular that more attention would have to be paid in future to the interdependence of regional policy and Community action in other fields. It suggests that the governments should have to submit all regional development plans to the proposed Permanent Regional Development Committee.

The ESC felt that the resources of the European Investment Bank should be increased substantially to enable it to play a major part in regional development. The Commission should also make detailed budget estimates for the "interest-rebate fund" it had proposed, which should in any event be subject to the budgetary control of the European Parliament. The ESC felt however that the financing of regional policy should still remain primarily a national responsibility.

The Economic Committee of the European Parliament also considered the Commission's regional proposals in April. The Members of Parliament felt in particular that the Commission had proposed too modest a role for itself, and regretted also that there was no provision for the representation of the regions concerned in the management of regional policy at the Community level. The Commission's memorandum, with the Economic Committee's report, now goes before the full Parliament.

● ● Consumer prices in the Community

Rapidly expanding trade in consumers goods between the Six is helping to keep prices down and stable, and is offering consumers a wider choice of products. But price disparities between the six countries are still substantial.

Reporting this in its General Report for 1969(1) the Commission of the European Communities notes that, in 1968, Germany had the lowest prices for electrical goods, radio and television sets, paper goods, motor cars and petrol, while the Netherlands were cheapest for food, textiles and clothing. Belgium was cheapest for photographic goods. On the other hand France was the dearest country for six of these eight product groups and Italy for foodstuffs (see table). Subsequent changes in currency parities during 1969 may have affected the positions of France and Germany in recent months.

(1) Third General Report on the activities of the Communities, Commission of the European Communities, February 1970 (available from HMSO, price £1. 13. 0., in the official Community languages and in English).

In the table below, an index of 100 is assigned to the country with the lowest price level for the product groups considered. The country with the highest index for each group has that index underlined. Figures relate to 1968.

Product group	Ger.	Fr.	It.	Neth.	Belg.	Lux.
Foodstuffs	106	101	<u>115</u>	100	102	100
Textiles, clothing	109	<u>133</u>	<u>105</u>	100	119	115
Household goods	105	<u>120</u>	104	103	108	100
Electrical goods	100	<u>145</u>	108	120	123	118
Radio and TV sets	100	<u>147</u>	113	125	128	114
Cleaning materials	<u>112</u>	<u>104</u>	102	102	102	100
Paper goods	<u>100</u>	118	103	105	111	103
Photographic goods	102	<u>113</u>	111	<u>121</u>	100	113
Motor-cars	100	127	109	<u>123</u>	110	104
Petrol	100	<u>142</u>	139	107	113	107

Reasons for price differences: Preliminary research into the reasons for these price disparities shows that the six national markets still have different distribution patterns. Wholesalers and retailers are larger and fewer in Germany and the Netherlands, and smaller and more numerous in Belgium. In Italy, the middleman plays hardly any part at all in the distribution of goods, and modern retailing techniques are the least developed. In France the situation is halfway between these extremes, but middlemen play a very large role. While stressing the importance of modernization, the Commission's view is that in the interests of the consumer there should be a healthy balance between small, medium-size, and large-scale businesses. It is currently studying the situation in this respect in the different member states.

Other major causes of price differences are differing national tax systems and different regulations on, and conditions of, competition.

Boom in consumer goods trade: As background to its price analysis the Commission notes the 13 per cent rise in 1968, to \$12,714 million, in the value of consumers' goods imported from all sources. But trade in these goods between the Six themselves rose by 22% to \$8,228 million, or two thirds of the total. Intra-Community trade in manufactured consumers' goods (as distinct from foodstuffs) rose even more sharply in 1968, by 25%.

● ● Worker participation: new union demands

The trade unions of the Six, and in particular the German unions, have always urged that the proposed European company statute - which will give multi-national companies the same legal status throughout the Community and thus facilitate cross-frontier mergers - should include the right of union participation in these companies at board of directors level.

The free trade unions of the Six (ECFTUC) put forward in April detailed proposals to this end. They demand that the new multi-national European company should have a Central Works Committee representing and elected by the work-force of the whole company. Candidates for the Committee would be proposed by the various unions represented in the different parts of the firm. The Committee would elect its own chairman who would be released for his job in order to work full-time for the Committee. And the firm would supply the necessary secretarial and technical facilities to enable the Committee to function effectively.

The approval of the Central Works Committee would be required on all matters concerning two or more of the companies factories in the following fields: implementation of collective agreements and labour law; internal working rules, etc.; industrial training, industrial health and safety; administration of welfare schemes. The Committee would have the right to full information concerning the general financial situation of the company (production, sales, etc.). It would further have to be consulted on all plans which might affect the workers' interests (new investments, mergers, internal reorganization, etc.), management engagements and dismissals, and the distribution of profits.

Workers on the Board: It is assumed that the European company will have a Supervisory Board and a Board of Management. The former would comprise one third representatives of the shareholders, one third representatives of the workers, and one third co-opted members. The shareholder representatives would be nominated by the AGM of the company. The worker representatives would be nominated by the unions concerned, and could be employees of the company, union delegates or outside experts. The Supervisory Board would be elected by an electoral college representing in equal numbers the AGM and the Central Works Committee. The task of the Supervisory Board would be to appoint and supervise the Board of Management, which would be obliged to designate one of its members as having special responsibility for personnel and social matters.

In April 1970 the European Commission discussed the question of workers participation at meetings, separately, with the unions and the employers organizations. The Commission was forced, not surprisingly, to the conclusion that the two

view-points were irreconcilable and that no common position was possible. It plans nevertheless shortly to present to the Council of Ministers a formal proposal. The unions are now waiting to see to what extent the Commission may have adopted their views.

● ● EEC Labour Force Survey

The Statistical Office of the European Communities has just published the results of an enquiry into the structure of the labour force in five of the six EEC countries (excludes Luxembourg) in 1968(1).

The survey related to private households - which number about 61 million and make up 97% of the Community's 185 million people. Average size of households varied from 2.7 persons in Germany to 3.4 persons in the Netherlands. Of the heads of households, 70% were working, and 50% were wage or salary earners (i.e. not self-employed). 30% were economically inactive (mainly retired persons) and less than 1% were unemployed. Germany and France have a high proportion of female heads of households (25% and 22%), of whom 30% and 40% respectively are working. In all, 40% of persons belonged to the labour force, and 60% were inactive (mainly retired persons and children).

There were 1,297,000 persons unemployed, or 1.8% of the Community work force (Italy 3.2%, Belgium 2.6%, France 1.6%, Netherlands 1.4%, Germany 0.8%). Long-term unemployment (over one year) accounted for 23% of the Community's unemployed persons, ranging from 40% in Belgium to 18% in Italy. The enquiry revealed that methods of looking for jobs varies considerably from country to country. While 82% of German and Dutch unemployed were registered with the public employment offices, the figures for Italy and France were only 46% and 41%. 3% of all employed persons were also looking for new jobs.

(1) Statistiques sociales No. 6, 1969 (Population et Force de Travail 1968). European Community Statistical Office.

● ● Commission seeks changes in state monopolies

The Commission in December drew up a series of recommendations for the reorganization of the state monopolies that still exist in the Community, mainly in France and Italy. In most cases, the Commission is asking the monopolies to give up their rights of exclusive importation. The aim is not to abolish the monopolies, but to ensure that their operations do not discriminate against other member states.

The Commission recommended that the French state oil-importing monopoly grant free access to the French market for oil from other Community member states. Under the present French system, quotas are set on oil imports from the rest of the Community, and import licences are required.

On the subject of the French and Italian tobacco monopolies the Commission made no new proposals, since the Six have now agreed on the principles of an overall common policy for tobacco, covering also its fiscal and agricultural aspects.

For the other sectors where state monopolies still exist, the Commission has made detailed recommendations and sent them to the member states. The products concerned are alcohol (France and Germany), matches (France and Italy), basic slag (France), cigarette paper (Italy), cigarette lighter flints (Italy), salt (Italy), and gunpowder and explosives for non-military purposes (France).

● ● New trade-union groups established

The European Teachers' Trade Union Committee was set up in Brussels in December 1969, linking together the teachers' unions of the Six which are affiliated to the International Federation of Free Teachers Union. At its first meeting in January 1970 the new committee adopted a resolution which affirms "that European integration should by priority pursue human and social aims" and "consequently that only a common policy aiming at developing and democratizing education could make for a harmonious economic and social development of the Community". It urges a meeting of the six Ministers of Education, at which the teachers organizations would be consulted, demands a place in the advisory bodies of the Community, and calls for better conditions for teachers and educators.

A European trade union youth council was set up in Brussels on March 12 by the European Confederation of Free Trade Unions in the Community. Its aims include the encouragement of freer exchanges of information between young workers' organizations, improvements in educational and industrial training systems, and the examination of the problems of young workers in the different countries with a view to providing full employment and balanced economic development in the different regions and industrial sectors.

Leather workers/Public services: discussions are also going on among the leather workers unions of the Six regarding the creation of an EEC committee. And the European affiliates of the Public Services International had a first meeting in The Hague in April to discuss the creation of an EEC liaison committee on which the EFTA unions would be represented as observers.

• • A Community fuel policy?

Under the ECSC and Euratom treaties, the Community has the task of co-ordinating the member states' investment plans in the coal and nuclear power fields. The Commission has now put forward proposals for similar co-ordination in the oil, natural gas and electricity sectors. The proposals envisage an annual meeting to compare plans and exchange views. The Commission would then make recommendations to avoid excessive investment.

Record rise in energy consumption: Last year's boom in the Community boosted total energy consumption to 721.7 million tons coal equivalent (t.c.e.), an increase of 7.5% over 1968. For 1970, a further increase of 6% is expected.

The 1969 growth rate for internal consumption of energy is the highest since 1963 (+ 9%), and far exceeds the average annual rate of 4.4% originally estimated for 1965-80.

Imported energy's share in Community consumption continued to expand, rising from 61.9% in 1968 to 63.4% in 1969; it is expected to reach 65% in 1970.

<u>EEC's energy needs rising:</u>	Millions t.c.e.			% change	
	1968	1969	1970	1968-69	1969-70
Internal consumption	671.0	721.8	764.8	+ 7.5	+ 6.0
Stocks, exports, petroleum derivatives	143.6	172.0	175.3	+16.5	+ 4.8
Other	10.1	12.8	13.6	-	-
	824.7	906.6	953.7	+ 9.3	+ 5.8

<u>EEC energy sources:</u>	Millions t.c.e.			% distribution		
	1968	1969	1970	1968	1969	1970
Coal	204.5	205.8	205.1	24.9	22.7	21.5
Lignite	32.8	34.4	33.9	4.0	3.8	3.5
Petroleum	497.8	564.8	600.6	60.4	62.3	63.0
Natural gas	42.9	56.1	67.3	5.2	6.2	7.1
Primary electricity	45.8	45.5	46.9	5.5	5.0	4.9
	824.7	906.6	953.7	100.0	100.0	100.0

● ● Plan to let retired workers stay in host country

The Commission announced in January that it had approved a draft regulation which would allow workers who have stopped working to remain in a member state other than their own and in which they had been employed. The proposal will make free movement of all workers fully effective, in accordance with the provisions of Articles 48 and 49 of the Rome Treaty. It would affect workers who stop work because of old age and those who suffer from permanent incapacity for work, though the conditions applicable to the two cases would be different.

Frontier-workers too: In order to facilitate the mobility of Community manpower, the Commission draft also envisages that a worker will have the right to remain in the territory of another member state if, after having been employed there for a certain time, he wishes to take up a job, as a frontier worker for example, on the territory of another member state. An Italian miner in Belgium, for example, would be allowed to stay there, even though he took a job in Northern France.

● ● Lorry drivers' hours

Present EEC regulations, in force since October 1969, limit the daily time at the wheel for both passenger and goods vehicles to 9 hours for all cross-frontier transport within the Community (see Trade Union News No. 2, pp.7-8). From October 1970 this rule will be extended to cover transport within a member country and to cross-frontier transport coming from a non-member country. And in October 1971 the limit will be reduced to 8 hours.

Difficulties have arisen over harmonizing this Community legislation with the April 3 agreement in the ERTA, which links together all European countries, East and West. This involves a maximum of 9 hours immediately, to be reduced to 8 in 1974. The Community is represented in ERTA by the member governments, not by the Commission, and they agreed to modify Community legislation so as to permit nine hours driving per day for transport crossing an external Community frontier until 1974. But before these changes can be made, the agreement of the European Commission must be obtained. So far the Commission has refused to see the rules changed, partly because it considers any such changes would be socially retrogressive, and partly because it would be a precedent for the governments changing Community rules without going through the accepted constitutional procedures. The Transport Committee of the European Parliament has supported the Commission, which decided at the end of April to raise the matter before the Community's Court of Justice.

● ● Shipbuilding prospects in EEC

The Community's shipbuilding industry should be able to secure an increasing share in the increasing demand for new ships. This was the conclusion of a meeting in Brussels on February 23 between shipbuilding employers and unions. But the industry had to adapt itself both to the production of new types of ships, and to improving working conditions so as to attract new workers. The automation of certain stages of construction will result in the replacement of previously manual tasks with more sophisticated production control, and the proportion of technicians with special training will rise. In the foreseeable future, however, shipbuilding will remain a relatively labour-intensive assembly industry. Both employers and trade unionists were unanimous that it was important for them to continue with their efforts to increase the proportion of shopwork, in so far as this was technically and economically possible. This trend is steadily enhancing the attraction of work in the shipbuilding industry.

The meeting brought together the Shipbuilding Liaison Committee of the Six and the European Committee of Metalworkers' Unions, under the chairmanship of Mr. Colonna di Paliano, the member of the European Commission specially responsible for industrial policy. The Commission asked the two sides of the industry in 1968 to formulate their respective views on the outlook for the industry and the likely future employment situation. These were first discussed separately and then it was decided to hold a joint meeting. The Commission will produce a report based on the studies undertaken by the two sides, and hopes that they will continue to meet periodically.

● ● Multinational corporations

A further sign of growing union concern was the TUC statement at the April 7 meeting of Britain's National Economic Development Council. The TUC outlined a long series of problems and areas of ignorance about Europe's multinational firms, including their methods of operation, how and where they pay tax, and their effect on individual countries' balances of payments. It was suggested that a detailed paper on the subject be prepared for the Council, and also that Britain might take the initiative in proposing an international study of these problems. Union leaders again stressed their concern at a meeting with Government ministers on May 7. TUC General Secretary Victor Feather had earlier stated, on March 5, that the British unions were planning a special conference on the multinational firm to be held during the Summer.

The International Confederation of Free Trade Unions, based in Brussels, is now undertaking a world-wide survey on the activities of multinational corporations and conglomerates in so far as they affect the trade unions. A questionnaire has been sent to ICFTU affiliated organizations in 95 countries.

The chemical industry in the European Community and the United Kingdom

The chemical industries are concerned with the separation of the elements of materials and to use them in this state, or combine these elements to create new substances. Thus, the characteristics of substances are altered, rather than their shape, as in most other industries. Many of the processes employed have long been the object of man's ingenuity and although much of the knowledge has been available for a long time, it is only during the last century or so that "chemicals" have become an industry in the real sense of the term. In this comparatively short period of time, the industry has made rapid and remarkable progress, both in material growth and in technical knowledge and skill. It now occupies a key place at the centre of every advanced industrial economy, accounting for an increasing share of total manufacturing output. Other industries increasingly depend on the chemical industries.

It is interesting to note that the chemical industry is one of the most far removed from our own everyday lives, although it may not appear so at first sight. In Britain, for example, only about 20 % of the products of the industry are on sale to the general public. Half go to other sectors of industry as raw materials, and some 15 % to other parts of the chemical industry for further processing, whilst the balance of about 15 % is sold abroad. This, together with the thought that chemicals smell (and only some do so), may poison the environment, and are often dangerous to handle, may give rise to the ambivalent attitude that many of us have towards the industry, compared with many other industries.

The chemical industry is still in the stage of rapid development, and generally defined as a growth industry. Half of its current products were unknown ten years ago. As more and more complex products are evolved, they meet demand in an ever more efficacious way by answering particular needs more exactly. Moreover, the synthetic products of organic chemistry, such as plastics and synthetic rubber, not only replace natural products, but find new uses proper to themselves. A further source of the dynamism of the modern chemical industry is that, because it is chiefly concerned with changing substances in liquid, gaseous or powder form, it offers very great opportunities for automation and demands massive capital investment.

The manufacture of chemicals falls into two main groups. The heavy chemical industry is concerned with the preparation of acids and alkalis for use in the other chemicals of manufacture as well as in other industries. The principal products of this group are sulphuric, hydrochloric and nitric acid, the main alkalis being caustic soda and carbonate of soda. Coal and petroleum also provide important by-products for the heavy chemical industry. The second group, the chemical-products industry, includes soap and detergent manufacture (using caustic soda and fats or oils), fertilisers, plastics, synthetic fibres, and pharmaceuticals and cosmetics.

Location

General factors

Many of the raw materials used in the chemical industries are bulky. As a result they often exert the dominant influence in location of the industry. Depending on the

type of product made, however, the market may exert a greater pull. Broadly, there are three types of location:

— at a raw material source within the country. Natural gas for sulphur extraction at Lacq, Southern France, and salt deposits near Nancy, Eastern France and Cheshire, Northern England, serve to illustrate this.

— at the point of import of bulky raw materials, where break of bulk occurs. Coastal and river-side location results. The chemical industries of Antwerp, Rotterdam, Genoa, Rouen and London illustrate this.

— near the market for the products. Examples of this are: bleaches and dyes near the main textile areas of Lancashire and Lombardy Plain; dyestuffs, tanning materials and synthetic resins in the boot and shoe producing regions of Northampton and Leicester; pharmaceuticals and photographic materials near to the large markets of Paris, Milan and Brussels; fertilisers and crop-protection chemicals near to the main agricultural regions of Lincolnshire, East Anglia and the Börde.

The coalfields provide one of the main concentrations of the heavy chemical industry for two reasons. First, the use of distillates from coal, such as coal-tar and dyestuffs, as raw materials. Secondly, the use of coal as a source of power in chemical works. This makes the location of a raw material (such as salt or potash) near to a coalfield an added attraction for location of chemical firms, and often causing a coal-textiles-chemicals complex to develop. Petroleum is exerting an increasingly strong pull on location of the newer and rapidly expanding petrochemical industry. Products such as ethylene and butadiene, obtained from petroleum distillation and processing are used in the manufacture of a wide range of products including synthetic fibres, plastics and butyl rubber. Some of this manufacture (especially of the "raw materials") is undertaken by the oil companies and falls outside the scope of this paper and the statistics included. Much, however, is undertaken by chemical firms located near to the refineries. Such is the case on Thames-side, at Europort and Rotterdam, at Antwerp, and at Le Havre.

Location of the industry in EEC and UK

There are many branches of the chemical industry, and location tends to be widespread, especially of the light

chemical industry. The following is a necessarily brief description, emphasising the areas where the industry is concentrated, or in some cases, where it is the main industry in an otherwise essentially non-industrial area. As far as possible, the examples used illustrate the points made in the first part of this section.

1. **United Kingdom.** Industry located on raw materials include salt in Cheshire (centred at Nantwich) and Tees-side (which includes anhydrite deposits, with centres at Wilton and Billingham). Other centres are on the major coalfields, notably the Northumberland and Durham. Coastal locations are important because of the large quantities of raw materials imported. Merseyside is the main centre, located especially at Widnes and Runcorn, between the Lancashire coalfield to the north and Cheshire salt to the south. Other centres include the North-East, South Wales and Severn Estuary. The petro-chemical industry is also refinery, and therefore, coast orientated. Major centres include Thames-side (Shellhaven), Severnside (Avonmouth), Merseyside (Stanlow) and Southampton Water (Fawley). Cosmetics and pharmaceuticals are made in Slough and Osterley for London, the Trafford Park estate serving Manchester and Liverpool, and Nottingham. Finally, the market-orientated dyestuffs producers, including St. Helen's supplying the Lancashire cotton industry and Huddersfield supplying the West Riding woollen industry.

2. **Belgium.** Heavy chemicals are highly developed on the Sambre-Meuse coalfield (mainly at Liège) and on the Kempen coalfield. Antwerp has developed a large industry based mainly on oil imports and potash from Alsace. Other major centres are Ghent (for the textiles industry and agricultural activities) and Brussels (for the textiles industry, and pharmaceuticals for a large population).

3. **Netherlands.** Coal provides for a chemical industry in Limburg, with a concentration near the Maurits Colliery 10 miles north-east of Maastricht. Peat, although rapidly becoming depleted, caused the industry to grow around Emmen. Salt is found in great quantities at Boekelo and Hengelo, and a large plant is located at the former. Of greatest importance in the Netherlands is the import of oil. Huge refinery development between Rotterdam and Europort has led to a complex of petro-chemical manufacture. Similar developments, on a smaller scale, have occurred in Amsterdam (pharmaceuticals are located here also) and IJmuiden.

4. **Luxembourg.** The industry here is very small. Some dyestuffs for the textiles industry and tanning materials, for shoes and gloves are made, but most of the country's needs are imported.

5. **France.** Much of the industry is based on raw materials obtained within the borders. Sulphur extraction from the natural gas of Lacq and St. Marcet, both in the Pyrenean foothills. Potash deposits for fertiliser production to the north-west of Mulhouse (Alsace). Salt deposits in Lorraine at Sarralbe and Dombasle (both east of Nancy), as well as salt-pans near Marseilles and Biarritz. Coal of the Nord coalfield (used in the industry at Béthune, Douai, Lens and Liévin). A small industry has developed on the Moselle coalfield and at St. Etienne (supplying the Lyons textile industry with dyestuffs) in the Central Massif. An electro-chemical industry has developed using HEP from the Alps and Pyrenees. In the Alps, Argentière (Durance

Valley) and in the Pyrenees, to the south of Lourdes. Nitrogen fixation is a major activity. Petro-chemicals have developed along the Seine at Le Havre, Rouen and Paris, and at Marseilles. Pharmaceuticals and cosmetics are found in Paris and Lyons (with explosives and dyes for the textile industry also at the latter).

6. **West Germany.** There is a wide range of chemical production, based originally on coal, lignite, salt and potash deposits. Now, much of the industry is based on oil. The Ruhr and Saar coalfields are the main areas for coal-based chemical production. Major centres include Duisburg and Düsseldorf, both on the Rhine. Petroleum, potash and salt are found mainly in Lower Saxony (along with coal), with centres at Hanover and Brunswick. Rhineland forms a major axis of Europe's chemicals industry, reflecting the ease of importing heavy chemicals and exporting the produce along the waterway. Centres include Mannheim-Ludwigshafen, Frankfurt and Leverkusen. The petro-chemical industry is located mainly in Hamburg and along the Rhine (which is served by pipelines from Rotterdam and Wilhelmshaven, mainly to the Ruhr, but extending as far south as Frankfurt). Some development has occurred in Karlsruhe and Ingolstadt (both served by the South European Pipeline from Lavera), and similar developments will occur when the pipeline from Genoa to Munich and Ingolstadt is completed.

7. **Italy.** The industry produces a wide range of chemicals, and tends to be widespread. Generally lacking in coal, there is no coalfield based industry. Coal imports are handled mainly at Genoa, but also at Porto Marghera and Piombino, and associated industries have developed. Other raw material based industries are on the sulphur deposits of Central Sicily (processed at Ragusa) and in Emilia-Romagna (centred at Cesena). Local salt forms the basis of the industry at Leghorn and Florence. Petroleum is found near Ragusa and in small quantities near Cortemaggiore. Natural gas is being developed rapidly, especially to the north of the Apennines. Centres are at Cortemaggiore and Ravenna. Chemicals based on HEP are mainly in the Alpine foothills, especially at Bolzano, where nitrate fertilisers are prepared. A similar plant is in the Apennines at Terni. The main oil refineries are located on the coast and have given rise to a large petro-chemical industry, especially at Ravenna, Genoa, Naples, Augusta, Ragusa and Bari. Milan is the main chemical centre of Italy, employing one-third of the total workers of the chemical industry. Turin is another very important centre. Both produce a wide range, including dyestuffs for the textile industries and pharmaceuticals.

Production

In the last decade or so, the chemical industries of Europe and the USA have expanded faster than other industries. In the EEC between 1958 and 1967 total production of manufacturing industry rose by 70 % and that of chemicals by 153 %. Comparable figures for UK were 32 % and 75 %, and for the USA 73 % and 113 %. Although growth in the USA has been slower than in the EEC, the turnover of the industry there is very much larger, as is shown in the following table:

Table 1

Estimated turnover of the chemical industry in 1967
(**\$ million**)

West Germany	9,450
France	6,300
Italy	5,600
Netherlands	1,800
Belgium	1,170
EEC total	24,320
UK	7,000
USA	40,500
USSR	12,500
Japan	7,850
World total	140,000

The increase in production everywhere has been most marked in the highly technological parts of the industry, such as plastics. Synthetics fibres and heavy organic materials have made above average progress. Growth has been below average in heavy inorganic chemicals, nitrogenous fertilisers and dyeing, tanning and colouring materials.

The West German chemical industry is the largest in the EEC and, indeed, in Western Europe. It ranks third in the world after the USA and USSR. Its growth between 1958 and 1967 was 134 %, more than twice the growth rate of German industry as a whole. It is the second largest German industry, after mechanical engineering. The French industry is second in EEC and sixth in the world. It grew by 131 % between 1958 and 1967. The third EEC chemical industry, the Italian (7th in the world) grew by 212 % in the same period, closely followed by the Dutch with 207 % (although this figure includes synthetic-fibre production, usually considered as part of the textile rather than the chemical industry). Belgium comes last in the EEC (excluding Luxembourg), both as regards the size of its chemical industry and its growth, which was 77 % between 1958 and 1967. In all five countries the growth in chemicals has been considerably higher than that in manufacturing industry as a whole.

As shown in Table 1, the British chemical industry, with an estimated turnover in 1967 equivalent to \$ 7,000 million, comes fifth in the world, having been overtaken in that year by the Japanese. In terms of output, it comes second only to the construction industry and is 15 % larger than mechanical engineering and twice as big as electrical engineering. It contributes over 8 % of total manufacturing production. In recent years its average annual growth rate has been 5.3 %, compared with rates of about 2.8 % for both total industry and total manufacturing industry.

Structure

1. Investment and research

The chemical industry is among the most capital intensive of all industrial sectors. Investment and research are the keys to its future. Although its raw materials are often cheap, its highly complicated plant and equipment are very expensive. Moreover, the latter need to be replaced

fairly frequently, either because they have a short working life (many chemical materials are corrosive), or because the continual discovery of new techniques and processes rapidly makes them obsolete.

In 1966, the chemical industry in the EEC invested a record sum equivalent to \$ 2,500 million, against an estimated turnover of \$ 21,900 million. The highest investment rates were in Belgium and Italy, where the industry accounted for 12 % and 16 % respectively, of total investment in manufacturing industry. In the rest of the EEC the investment ratio varied from 8 % to 10 %. Investment has also been heavy in the UK. In 1966 the total reached a peak of £ 260 million, and was the highest achieved in all industrial sectors. Total capital investment in the UK chemical industry in the last ten years has been about £ 1,800 million.

The chief aims of this massive outlay are to increase productive capacity and to increase the efficiency of capacity by building larger productive units. In chemicals, above all, it is economics of scale that are a truly decisive factor. It has been shown that unit costs in a really large plant are less than half those in a plant one-third of the size. Taking petro-chemicals as an example, it is estimated that every \$ 3,500 invested corresponds to a yearly turnover of \$ 2,700, with the cost of new plants ranging from \$ 5 million, to \$ 30 million. Only by working on a large scale can the full benefits of profitability be attained. As a further means of reaching optimum profitability, multiple shift working is usual in almost all branches of the chemical industry for 350 days a year.

Such a great expansion of modern plant, accompanied by a high degree of automation, explains why the employment in the industry has remained comparatively stable. Rather more than one million people work in the EEC chemical industry, about 17 % more than in 1958. Although other factors have to be taken into account, the difference between growth in production and growth in employment does indicate a marked rise in productivity, a result of larger productive units and their more efficient use. In the future the labour force will become proportionately smaller, compared with other industries. Automation will also tend to increase the proportion of skilled and management personnel employed. In the EEC as a whole, the industry now accounts for 3.2 % of total employment, ranging from 3.9 % in the Netherlands to 2.4 % in Italy. The British chemicals work force is comparatively larger than that in the EEC (in relation to turnover), but its increase in the last decade has been only just over 4 %. The industry now accounts for 2 % of total employment. Using the payroll/turnover ratio as a somewhat crude index of productivity, it can be said that the productivity of the USA chemical industry is double that of the European.

Of comparable importance to capital investment for the long-term future of the chemical industry is expenditure on research development. It is the research that provides the dynamic for the prosperity and competitiveness of the industry in the world context. Nevertheless, research expenditures in the EEC are absolutely and relatively lower than in the USA. This situation applies to all the European high-technology industries, and is very serious in terms of future European development and competitive strength. Moreover, because there is no co-ordinated European science policy, there is a great deal of wasteful and costly duplication of research. Research in the British chemical industry reaches a level of £ 55 million (\$ 130 million) per annum.

Foreign investment in the EEC chemical industry is particularly important in the Netherlands and especially in

the Rotterdam area where the many oil refineries have encouraged the building of a wide range of chemical plant, many of them from the USA. Most of the big USA chemicals companies are also represented in the other EEC countries. It is in the chemical industry that US investment is growing most rapidly, at least in relative value. Of a total of US corporate manufacturing investment in the EEC in 1967 of \$1,450 million, some \$380 million was in the chemical industry, compared with \$44 million in 1960.

In Britain (apart from the oil companies, which lie outside the field of this survey), most US chemical investment is concentrated in pharmaceuticals and cosmetics. In 1965, these net assets totalled £62 million (\$150 million) and £11 million (\$26 million) respectively, or about 4.5 % of US-owned assets in the UK. The only US chemical company to figure among the 200 largest UK industrial firms is Monsanto, ranking 191st. On the other hand, US companies supply over 80 % of the British market for carbon black and colour films, and over half of the cosmetics and toilet preparations on sale and of drugs sold to the National Health Service.

2. Size of firms

Economies of large-scale production have already been mentioned. Different countries within the EEC and UK benefit from these economies to different extents. Generally, the large number of small firms in EEC and UK makes effective competition with the US giants difficult.

Table 2
Some large chemical industries
(1967)

Industries	Countries	Sales (millions of \$)
1. Du Pont de Nemours	US	3,102
2. Union Carbide	US	2,456
3. Imperial Chemicals	UK	2,349
4. Hoechst	Germany	1,650
5. Monsanto	US	1,632
6. Bayer	Germany	1,584
10. BASF	Germany	1,259
15. Shell Chemicals	UK/Netherlands	883
16. Montecatini-Edison	Italy	860

In Germany, the three largest firms (Hoechst, Bayer, BASF) share 40 % of the German chemical industry, and about 20 % of that of the EEC chemical industry. In France, production is much less concentrated, sixty firms sharing 50 % of the industry. The value of mergers in achieving economies of scale is realised throughout the EEC. In Italy, one massive combine (Montecatini-Edison) now accounts for 75 % of the turnover of the Italian chemical industry. Similar mergers are taking place in the Netherlands and Belgium.

Mergers at Community level rather than national level are now needed to compete with US and UK competition. To do this at present is difficult because of taxation problems and difference in the laws of the EEC countries. The only success in this field has been a "merger" (in effect rather than in strict law) between the German and Belgian companies Agfa and Gevaert, which has resulted in the largest European enterprise in the field of photographic products. (Not only is this the only example of a trans-frontier merger in the chemical industry, but the only one

in any industry within the EEC.) Apart from mergers, firms have formed joint subsidiaries in other EEC countries, and made agreements (especially in research), where these do not contravene the rules of the Treaty of Rome.

The UK chemical industry is dominated by ICI which, in terms of capital employed, ranks third among all British industrial firms and fourth in Western Europe. In terms of 1967 sales, it ranked third of the world chemical firms, behind the US giants, Du Pont de Nemours and Union Carbide. Below ICI is a wide range of size and function in the UK chemicals industry.

Foreign trade

Exports including those to other EEC countries, now account for about a quarter of the turnover of the EEC chemical industry as a whole, and have played an important part in the growth of the industry. Intra-Community trade has increased more rapidly than trade with third-countries, as would be expected with the reduction and ultimate elimination of tariff barriers and quantitative restrictions. The average annual increase between 1958 and 1965 in intra-EEC chemical trade was about 19 %, but the proportion of total intra-EEC trade accounted for by chemicals remained steady at 7-8 %. The volume of this trade rose from \$500 million to \$1,600 million during this period. EEC exports of chemical products to third-countries doubled between 1958 and 1965 (from \$1,570 million to \$3,160 million, with an annual average increase of 10.5 %. The proportion of total third-country exports taken by chemicals rose in this period from 10 % to 12 %.

Imports from third-countries grew rather faster (by 120 % over the period) and their value rose from \$610 million to \$1,350 million. As a proportion of third-country imports, chemicals accounted for 4 % in 1958 and 5 % in 1965.

The following table shows the foreign chemical trade of the EEC countries:

Table 3
EEC foreign chemical trade in 1967
(including intra-Community trade) (\$ millions)

Country	Chemical industry turnover	Exports	Imports	Exports as a percentage of turnover
West Germany	9,450	3,215	1,374	34
France ^a	6,300	1,055	1,015	17
Italy	5,600	709	752	8
Netherlands	1,800	1,165	840	64
Belgium	1,170	643	578	55
EEC total	24,320	6,087	4,559	25

^a Excluding franc zone trade.

The pattern of international chemical trade for the UK is similar. The industry's products account for about 10 % of exports and 5 % of imports. Imports have been growing faster than exports, but the favourable net balance is still large, as in the case of the EEC. In 1967 UK chemical exports reached a record of £493 million (\$1,180 million). It is estimated that in 1968, due to increased volume and the advantages of devaluation, the export total will have reached £600 million (\$1,440 million).

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