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BUDGET: Commission proposes solutions to EC's budgetary problems

The 12-nation European Community is in serious financial difficulties. Its three structural funds\* may have to suspend payments this autumn unless they are provided an extra 1,200 million ECU\*\*. The European Budget Commissioner made no attempt to hide the gravity of the situation at his recent press conference. But Henning Christophersen was confident the Community's financial difficulties can be resolved if the EC Council of Ministers and European Parliament show the necessary political will.

The Commission, both Mr Christophersen and his colleague, Grigoris Varfis, made clear was facing up to its responsibilities. It was opening a dialogue with both Council and Parliament, to help it draft its proposals to the Community's budgetary authorities. To guide them it had drafted a 4-year budget programme and a report on this year's operation of the structural funds.

Taken together, the two reports point to the need to look for a solution to the Community's immediate problems in a medium-term context. The Commission notes that the three structural funds will be unable to meet all the demands made on them this year, largely because of a failure to provide the necessary funds in the 1986 budget.

This was due mainly to the fact that (1) the budgetary authorities had failed to balance allocations to the funds and payments from them as the Commission had proposed in its preliminary draft budget and (2) the extent of Spanish and Portuguese drawings on the regional fund had been underestimated.

The best solution would be to make these extra amounts available through a supplementary budget. But this may not be possible, especially in view of the constraint placed on the Community's own resources by the 1.4% ceiling on VAT (representing a ceiling on budget contributions from member states).

A more "flexible" management of the structural funds would merely postpone the problem. And this, the Commission noted, is exactly what has happened in recent years, resulting in an unprecedented build-up in the structural funds of unliquidated payment commitments.

Hence the need for a "major cleaning-up operation". The aim of the 4-year budget programme is to show this can be done without exceeding the 1.4% VAT ceiling in 1986 and 1987. The ceiling would be exceeded from 1988 onwards, but it can be raised to 1.6% from January 1988.

\* Set up to reduce inequalities within the EC, they are the Guidance section of the Agricultural Fund and the Social and Regional Funds.

\*\* 1 ECU = UK£ 0.62 or IR£ 0.71.

TRADE: Another EC/US trade war - over enlargement this time?

The 12-nation European Community will retaliate, should the United States take the law into its own hands in order to off-set the losses American farmers claim to have suffered as a result of the entry of Spain and Portugal into the Community. This is clear from the statement made by the European Commissioner for external relations, Willy De Clercq, on March 31.

How can such a situation have arisen between allies? On January 1 Spain and Portugal joined the Community. As a result, over a 10-year period, the two Iberian nations will bring their import duties into line with the Community's common external tariff and comply with the common agricultural policy. This long process began on March 1 as regards agriculture, and has meant changes in the rules governing Spanish imports of maize and millet and Portuguese imports of cereals and soya.

The U.S. announced retaliatory measures at the end of March, on the grounds that American farmers had been adversely affected. From May 1 imports of quality white wines are to be restricted, therefore, and import duties increased, from July 1, on a variety of food products, ranging from vegetables and cheese to whisky and mineral water. The U.S. has also threatened to raise tariffs on potatoes, fruit juices, beer and biscuits at an as yet unspecified date.

At the Community's demand a GATT Working Party was set up on February 12 to look into the consequences of enlargement. At the same time the Twelve announced their readiness to negotiate the question of compensation with their trading partners, including the U.S., as required under the rules of GATT, the Geneva-based organization which oversees world trade.

The Community's invitation to the Americans has gone unanswered. The U.S., as Mr De Clercq pointed out, is deliberately ignoring the advantages to American exporters from the Community's enlargement while focussing its attention on those aspects of it which could prove harmful. For the European Commissioner, the American attitude is both unfriendly and needlessly aggressive, given that the benefits to them will far outweigh any disadvantages, according to the Commission's estimates.

UNEMPLOYMENT: Nearly 17 million jobless in the 12-nation Community

Unemployment stood at 16.7 million at the end of February in the 12-nation European Community. The unemployed included 9.7 million men and 7 million women, according to the Community's statistical services.

If seasonal factors are discounted, there is a tendency for unemployment in the enlarged Community to stabilize since mid-1985. The number of unemployed even fell by some 100,000 between this January and February, but largely because of seasonal factors.

Male unemployment has fallen slightly in a year while unemployment among women has risen sharply. Over the same period unemployment among the under-25s has clearly declined; at the end of February it stood at 6.1 million, 3.2 million of whom were men and 2.9 million women.

Ireland continues to have the highest unemployment rate in the Community, if the two newcomers, Spain and Portugal, are excluded. It amounted to 18.4% of the working population at the end of February. Unemployment remains very high in Italy, at 14%. The Netherlands comes next, with 13.2%, followed by the U.K. (12.7%) and Belgium, where, despite a fall, unemployment is still at 12.6%. Other unemployment rates include 10.5% in France, 9.6% in Germany, 9.1% in Denmark but a low 3.8% in Greece and an even lower 1.7% in Luxembourg.

As unemployment in Spain and Portugal is measured differently, the EC has no comparable figures for them as yet. Spain, with a much smaller population than Germany, has far more unemployed - over 2.8 million, in fact. Portugal, with a population roughly that of Belgium, has fewer unemployed at 367,000.

INFLATION: The slowdown continues

The marked slowdown in price increases recorded last year has continued: in the European Community (but minus its newest members, Spain and Portugal) the index of consumer prices rose only 0.2% in January and 0.1% in February, according to the Community's statistical services.

In Spain prices rose 2.8% in January, following the introduction of VAT, but the rise was limited to 0.4% in February. In Portugal, prices rose 1.9% in January and 1.3% in February. Between February 1985 and this February prices rose 4.7% on average in the 12-nation Community, as compared to a rise of under 4% in the United States and 2% in Japan.

INVESTMENTS: How to finance employment-generating projects.

At a time when governments are either unwilling or unable to advance the necessary funds, the Commission of the European Communities and European companies must play a decisive role in launching the large-scale infrastructure projects capable of making the Old World more competitive and creating new jobs. This is the main conclusion of an experts' report which the President of the European Commission, Jacques Delors, and the President of the Round Table of European Industrialists, Pehr Gyllenhammar, presented jointly to the press on April 4.

The report, drawn up by independent experts at the request of the Commission and Round Table, sought to identify the missing links in the West European transport and communications network and to put forward solutions. During a meeting in Brussels on April 3, representatives of the two bodies examined together the conclusions of both the report and a study on unemployment carried out for the Round Table.

Jacques Delors told the press conference that the European Commission has "an obsession: recover the competitiveness without which job creation is not possible". The two presidents stressed the need to create, to this end, a large European market without frontiers.

The Europe they evoked is larger than the 12-nation European Community, for the Round Table includes not only the heads of Community firms, such as Sir John Clark of Plessey and Ian MacGregor of the National Coal Board, but also Pehr Gyllenhammar, President of Sweden's Volvo car company, and Helmut Maucher, head of Switzerland's Nestle.

In their report the experts envisage the launching of projects declared to be of "European interest" by the Commission and the governments concerned but financed mainly by the private sector through new financial techniques. This would allow projects which have not been as lucky as the Channel tunnel to go ahead.

While such infrastructure projects should create jobs, the Round Table believes that part-time work and flexible working hours can also help reduce unemployment. It also attaches great importance to training in a Europe in which some 40% of the jobless have received no useful training at all, according to Mr Gyllenhammar.

AID: Promoting development while protecting the environment

How do you balance the development needs of Third World countries with the environmental risks posed by some development projects? That there is no simple answer is clear from the recent exchanges between the European Commission and a Dutch Euro-MP. Mr Hemmo Muntingh expressed concern that a programme to combat the tsetse fly in four African countries\* entailed considerable risks to both public health and the natural environment. He wanted to know whether it was true that the programme involved spraying a populated area of some 20,000 sq.km. with dangerous insecticides such as endosulfan.

The Commission has pointed out that a 3-year tsetse fly eradication programme has been drawn up by the European Community, after discussions with the four countries concerned. Chemical control by aerial spraying is only one of several methods that will be used. Others include the use of traps and bait, the introduction of sterile male flies and preventive treatment of infected cattle.

The exact area to be sprayed would depend on initial results and was likely to be less than 20,000 sq.km. Environmental monitoring was introduced from the very beginning as the European Commission is well aware of the possible dangers for human health. There was no preference for endosulfan, but it had given the most satisfactory results so far. "When better products are available, they will be used", the Commission noted.

\* Malawi, Mozambique, Zambia and Zimbabwe.

ARCHITECTURE: Preserving Europe's architectural heritage

The European Community is concerned not only with building for the future but also preserving Europe's architectural heritage. Until 1984 the Community made ad hoc grants; since then this aid is being given to pilot projects. But the European Regional Development Fund and the European Investment Bank are also helping preserve historic monuments and sites.

Between 1980 and 1984 some 20 conservation projects received Community grants amounting to nearly 1.7 million ECU\* in all. The lion's share of this (1 million ECU) went to the restoration of the Parthenon in Athens.

The ERDF has provided 9.1 million ECU in grants so far to help preserve sites and monuments which attract tourists. The 48 projects are located in Ireland, Italy, Greece and the U.K. The EIB has provided 6.7 million ECU in loans, mainly for the restoration of the Doges Palace in Venice and archaeological sites at Pompeii, Herculaneum and Stabias in Italy.

\* 1 ECU = UK£ 0.67 or IR£ 0.71.

APARTHEID: "The most hideous form of racism"

The European Community is pledged to fight not only racism in general but also the institutionalized form of it, which is apartheid. It could not be otherwise, according to the European Commissioner for external relations, given that the Community itself is the response to World War II, which revealed how far ignorance can feed hatred and lead to crimes against humanity.

Willy De Clercq, who was speaking at a ceremony in Brussels to mark the U.N. International Day for the Elimination of Racial Discrimination, described apartheid as "the most hideous form of racism", and one which had to be abolished as it cannot be changed or modified.

He noted that the Community's member states took a number of measures last November aimed at bringing pressure to bear on the South African authorities. They included the adoption of (1) a new Code of Conduct for European firms with subsidiaries in South Africa and (2) a 10 million ECU\* programme to help the victims of apartheid.

The European Commission pointed out that all the Front Line States, including Angola and Mozambique, have adhered to the Lomé Convention. The development programmes being implemented in each of them are an expression of the Community's solidarity with countries on which South Africa has a destabilizing influence. The EC is also providing them, under the regional cooperation provisions of Lomé III, an additional \$100 million, with a view to reducing their economic dependence on South Africa.

Mr De Clercq noted that Namibia, which also benefits from the funds the EC is providing South African countries, could adhere to the Lomé Convention once it has become genuinely independent.

\* 1 ECU = UK£ 0.62 or IR£ 0.71.

AID: Why not add meat products to the food aid programme?

With the European Community diversifying its food aid programmes, the question of adding meat to the list of foodstuffs available for distribution was bound to arise. It has been raised, in fact, by a French Euro-MP, Emmanuel Maffre-Baugé, who would like to see Community beef and veal included in the food aid programme.

But the European Commission was circumspect in its reply. Given their high protein content meat products can be used to alleviate hunger, especially where such products are part of the local diet. But the Commission found them very expensive compared to such traditional items as milk powder and wheat.

ENVIRONMENT: Environment protection comes of age

Concern for the environment is no longer the prerogative of long-haired food cranks and other members of the back-to-nature brigade. Even in politics the Greens no longer have a monopoly on legislation aimed at protecting the environment. Governments of different political complexions now have environment ministers and a gathering of them in 1984 declared that environmental resources "constitute the basis ... of economic development" and environment policy should "be fully integrated into other areas of policy".

Even so, there is a feeling that "although the problems are acknowledged, the political will is still lacking to take major preventive decisions in environment policy". This view was expressed recently by the European Parliament; the words are taken, in fact, from a resolution it adopted in mid-February.

The subject of the resolution was the European Council's decision designating 1987 as the European Year of the Environment. While welcoming the decision, Parliament bluntly noted that Community directives for the protection of the environment are only "belatedly and loosely incorporated into national law". It therefore called for environmental protection to be written into the Treaty of Rome as a common Community policy, and for the creation of an environment fund.

The action programme adopted by the EC Council of Ministers in March lists the objectives of the 1987 Environment Year. They include creating an awareness of the importance of environmental protection and promoting the integration of environmental protection policies into the different policies of the EC and its member states. Among the activities to be undertaken are the launching of general awareness campaigns and pilot projects and the improved monitoring of the quality of the environment.

The first meeting of the steering committee, which will coordinate activities at the national and Community level, was held in Brussels recently. Its chairman, Stanley Clinton Davis, the European Commissioner responsible for environment policy, stressed the need to fight the view that safeguarding the environment is "desirable but costs money". He noted environment protection "will result in the creation of new industries - the pollution control and waste recycling industries, to give but two examples".

The steering committee could do worse than follow Parliament's suggestion and support a selected environmental project in a different member state during each month of the 1987 Environment Year - which begins on the first day of spring.



BATTERY HENS: Some elbow room at last!

Life for the European Community's 240 million battery hens is looking up. The Community's agricultural ministers may not have been able to agree on farm prices at their March 25 meeting, but they could agree on the need for bigger cages for battery hens.

From 1988 each hen will have 450 sq.cm. in which to roost, as against the current European average of 400 sq.cm. The new norms apply, however, to new cages only, to begin with. Cages already built do not have to conform to the new regulation until 1 January 1995.

Even so, there is nothing to prevent the more tender hearted from following Danish practice, for example, and providing their hens up to 900 sq.cm. of space.

It has taken the Community five years to reach agreement on living conditions for battery hens. Like last December's decision on the use of hormones it was taken by the ministers on the basis of majority voting. This in itself is a source of satisfaction to the European Commission.

CHEESE: Over 14 kilos for each European

On average, each European Community citizen got through 14.4 kgs. of cheese in 1984 - as against 13.6 kgs. the year before\*. The information was provided by the European Commission in answer to a question from an Irish Euro-MP, Ray MacSharry, on the national per capita cheese consumption in the Community.

The French lead the field, as you would expect, with 21.3 kgs. but the Greeks are close behind with an estimated 20.3 kgs. The Italians (15.3 kgs.) and Germans (15.1 kgs.) also consume more than the Community average.

The Irish are the laggards in this particular race, however, with a per capita consumption of only 3.4 kgs. But they are in good company; British consumption is no more than 6.5 kgs.

The Dutch make a lot of cheese but tuck away only 13.7 kgs. per head. They occupy the middle ground with the Belgians and Luxemburgers (12.8 kgs.) and the Danes (12.3 kgs.).

\* These figures do not take Spanish and Portuguese consumption into account.