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EUROFORUM

AGRICULTURE: Farm incomes fall in 1990 and surpluses reappear

A major reform of the Common Agricultural Policy is in the works.

In 1990 farm incomes in the European Community showed a tendency to fall, contrary to what happened in 1989. The extent of the fall is not yet known with any degree of precision; but a preliminary report drawn up by the European Commission at the end of December pointed to a widespread decline, brought about mainly by a fall in producer prices.

Allowing for inflation, producer prices fell last year in all Community countries for which statistics are available - the Twelve less Portugal. The fall was sharper in Belgium, Spain, Italy and the Netherlands than elsewhere.

The fall in prices last year affected most agricultural sectors, because of the discouraging market situation, especially during the second half of 1990. In the case of cereals, the reappearance of surpluses as from 1989 had an unfavourable effect on prices in 1990, resulting in a 3% decline in the European Community's support prices. As compared to 1989, the minimum support prices fell by 14 to 18% in the case of rape, peas, sunflower and soya. The world sugar price fell. Milk, beef and sheepmeat prices all fell, even while stocks rose.

However, the European Commission is of the view that the immediate social impact of the fall in farm incomes last year will remain relatively limited. It has pointed out that farm incomes rose by 9.5% in 1989 in the Community as a whole. During the three years from 1988 to 1990, incomes rose by 7% in real terms, as compared to the period 1985 to 1987. The Commission's report has stressed that many farm families have additional sources of income; nearly a third of those in agriculture have a job outside agriculture.

During the 1980s, farm incomes in the Community increased by 11% in real terms - or 1.1% a year on average, according to the report.

However, global statistics hide regional disparities as well as disparities between the different types of farms. In 1990 there were some eight million individual farms. But the 20% of the most efficient farms had a per-capita output that was equal to twice the Community's average per-capita Gross Domestic Product (GDP), while the 20% of the least efficient remained below the average per-capita GDP.

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Agricultural productivity - and therefore farm incomes - vary a good deal according to the regions. They are at their highest in the regions close to the centre of the Community, notably in northern France, the western part of Belgium, the Netherlands and the eastern part of England. In the peripheral areas, on the other hand, and especially in the Community's southern regions, productivity remains relatively low.

The European Commission is concerned all the same over the overall agricultural situation. During a meeting on January 14 with the representatives of professional agricultural organizations, the Agricultural Commissioner, Mr Ray Mac Sharry, stressed that: stocks are piling up again, resulting in additional expenditure for the Community budget, even while farm incomes fall. To this has to be added American pressure in favour of a sharp reduction in European support for the export of agricultural commodities.

Mr Mac Sharry was very clear when he spoke to the European Community's agricultural ministers on January 21: one cannot go on like this. The reform of the Common Agricultural Policy, launched in 1988, has not produced significant results. Beef stocks are at a record level. The policy of "set-aside" - of taking farm land out of production, in order to prevent surpluses - has touched only 2% of total Community farmland. What is more, the land actually taken out is of poor quality. Deficiency payments, independent of production, are being utilized in only three of the 12 Community countries and the system of early retirement in only one country.

The European Commission takes the view that reform of the Common Agricultural Policy must be thorough-going. For Mr Mac Sharry, it should ensure that a maximum number of farmers remain on the land but do not overproduce. Farmers would receive Community aid in relation to the surface exploited and not to output: the larger the area farmed, the stricter the limits on the quantity produced. Farmers would be encouraged to protect the environment. Here is food for thought for the Twelve, who will discuss these issues on February 4.

COMPETITION: Cosmetics are not medicinal products

The European Commission has provisionally banned the sale of Vichy cosmetics exclusively through dispensing chemists.

The European Commission has taken the view that the distribution contracts of the French company, Vichy, which markets its aids to beauty in 10 European Community countries exclusively through dispensing chemists, are incompatible with the Community's competition rules.

In France the company was obliged by the French authorities to open up its distribution network to sales outlets other than retail pharmacies, on condition that the retailer has a diploma in pharmacy. But in the other EC countries, with the exception of Denmark, where Vichy products are not sold, the company markets them exclusively through dispensing chemists.

The Commission has found this situation "unacceptable". It maintains there is no reason why sales of products which are not medicinal should be made exclusively through pharmacies. What is more, the company cannot have one method of distribution in France and a very different one elsewhere in the Community.

The Commission is anxious to maintain a balance between the Member States and to strengthen competition between products sold under the same brand name. It has therefore provisionally banned the exclusive sale of Vichy products through dispensing chemists. But the Commission will continue proceedings in order to render its decision definite.

The French company is therefore required to follow the same, non-exclusive distribution policy in all EC countries as in France. Consumers will benefit, as Vichy products will be available at a much larger number of retail outlets - and at more competitive prices.

REGIONS: There are serious imbalances within the 12-nation Community ...

... despite a more balanced Community regional policy.

As the European Community enters the 1990s, its 10 least developed regions, which are to be found mainly in Greece and Portugal, have an average per-capita income which is less than one-third the average for the 10 richest regions. A comparison of unemployment rates reveals equally dramatic disparities. In the 10 regions with the lowest unemployment levels, the average rate of unemployment barely exceeds 2.5%, while it is 22% in the 10 regions hardest hit by unemployment, which are in Spain and southern Italy.

These figures are taken from the European Commission's latest report on the situation in the different regions of the Community, published at the beginning of January. They demonstrate that with less than two years to go to the single market not everyone is on the same footing. The report makes clear in addition that the disparities could become even greater as a result of the war in the Gulf. It points out, nevertheless, that since 1989 the European Community is spending much more than before in order to reduce regional inequalities and that the funds are being distributed more justly.

The considerable differences between regions as regards unemployment increased sharply during the first half of the 1980s; they later stabilized and began finally to narrow. However, differences remain in part because of population disparities between the regions: the regions which are the least developed and have the highest unemployment rates are also those with the highest birth rates - and vice versa. During the 1980s these imbalances did not result in emigration from the Community's poorer regions to its richer ones. But it could happen in the 1990s if disparities are not significantly reduced, according to the Commission's report.

Why do some regions generate less wealth and fewer jobs than others? The report points to a number of factors in the case of the less developed regions in the southern part of the Community. They include an inadequate infrastructure - transport, telecommunications, energy - and the high cost of borrowing. In regions with sunset industries the problems are due rather to shortages of qualified workers, although such shortages are to be found in

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more or less all parts of the Community. The report also points to the failings of the educational and vocational training systems. Thus in the three least developed Member States - Greece, Portugal and Ireland - the proportion of young people between 15 and 19 years of age following courses other than university, is barely half what it is in the three most advanced EC countries - Denmark, Germany and the Netherlands.

The technological gap between the regions is also important in its own way. In 1989 three EC countries - Germany, France and the U.K. - between them accounted for some three-quarters of expenditure on research in the Community as a whole. There are imbalances of this kind even within the less well-off members of the EC. Thus in Portugal nearly three-quarters of national expenditure on research is concentrated on Lisbon and the surrounding areas.

For problem regions catching up with the others will not be easy. The Commission's report claims that it would take roughly 20 years in the case of a region with a per-capita income half that of the Community average to reach a per-capita income equal to 70% of this average. However, the 12-nation Community has embarked on the task of reducing these differences. The reform of the Community's anti-disparity funds, which came into force on 1 January 1989, has made it possible to double the sums for the period 1987-1993, in the form of either subsidies or loans.

In addition, funds are being distributed on the basis of Community criteria, in order to make sure that the money goes to regions with the greatest need. This means that since the reform all parts of Greece can benefit from Community aid - as is the case of Portugal and Ireland - as compared to fewer than two-thirds before it. Conversely, the regions of the former West Germany which still enjoy such aid now account for only 19% of the population, as compared to 38% in the past. Similar shifts have taken place in France (from 40 to 30%) and Belgium (from 33 to less than 25%). In relation to their population, Spain, Italy and, if to a smaller extent, Britain, currently benefit more from the Community's regional aid programme, whereas the reverse will be true as regards the Netherlands, Luxembourg and Denmark.

ENVIRONMENT: Italy held guilty of failing to protect wild birds

The EC Court of Justice condemns Italy for authorizing the hunting of wild birds during their nesting and migratory periods.

The European Community Court of Justice has found Italy guilty of violating a "European" law which protects wild birds when they are nesting or migrating, as hunting them on these occasions could threaten their very survival.

The fact is that Italian law authorizes the hunting of certain species of birds after August 18. But the reproductive phase is not always over by that date and many young birds still cannot feed themselves. Under the law the open season lasts until February 28 or March 10, depending on the species, although by these dates certain birds are already flying over Italy to return to their nesting places.

Italy argued before the Court of Justice in Luxembourg that the majority of fledglings are already independent during the open season as fixed by Italian law, while migratory birds generally leave Italy only after the season is over. But it failed to convince the judges.

The Court held that Italian legislation does not take into account the fact that in the case of wild birds the reproductive and migratory cycles vary from one species to another and depend on the weather. Consequently, some species are still nesting, and are completely vulnerable, therefore, at the start of the hunting season. The fact that most birds are independent during the hunting periods was not justification enough, in the Court's view.

It held that the directive in question seeks to protect all wild birds when nesting or migrating. Italian legislation did not guarantee this protection; hence the Court's condemnation of Italy.

It is now up to the Italian government to modify the legislation.

COMPANY TAXATION: Preparing for after 1992

The European Tax Commissioner, Mrs. Scrivener, launches the think tank on company taxation.

Will European companies be able to take advantage of the single market to the point where they can meet Japanese and American competition? Are the disparities in national tax legislation an obstacle to the proper functioning of the internal market? Must the Community take steps to reduce these disparities?

The European Tax Commissioner, Mrs. Christiane Scrivener, has turned to people with first hand experience to find answers to these basic questions. She had asked business leaders like Jean-Louis Descours, President of the French group André, and academics specializing in taxation in the Member States, like Prof. Frans Vanistendael, of the University of Louvain in Belgium, to help the European Commission draw up the best fiscal strategy possible to encourage the development of businesses in the Community.

They form a think tank presided over by Mr Onno Ruding, a former Dutch finance minister and currently President of the Christian Employers' Federation of the Netherlands. As a first step they will have to list the chief disparities between the tax legislation currently in force in the Member States. They will then have to define the economic impact of taxation on business decisions.

Once this has been done, the think tank will have to decide whether market forces can be relied on to eliminate these disparities - or if measures will be needed at the Community level. The first hand knowledge of business experience which most members of the think tank have should enable them to find concrete answers to the real needs of economic operators, so that the latter can benefit to the maximum from the single market.

When inaugurating the think tank, Mrs Scrivener reminded its members that the most important step had been taken last June, when the Twelve adopted the three tax "laws" which will eliminate the risk of double taxation of companies and facilitate cooperation between companies from different Member States.

"Everything is possible hereafter", Mrs Scrivener said, "and it is now necessary to prepare for the period after 1992." The Commissioner has asked the think tank to meet in July to draw up a progress report.

IN MEMORIAM: A homage to the memory of Lorenzo Natali ...

... former Commission Vice-President and one of the most well-known advocates of Europe.

The European Commission paid tribute to one of the most well-known advocates of Europe and one of its former Vice-Presidents, Lorenzo Natali. Commission President Jacques Delors expressed his gratitude to Mr Natali at a ceremony held in his memory on January 22. The Commission President stressed the key role which Lorenzo Natali had played in the entry of Greece, Spain and Portugal into the European Commission, when he outlined the path followed by this great European. Commission Vice-President from 1977 to 1988, Mr Natali took the first steps towards a Community environment policy. Keenly interested in North-South problems and the relationship with other European countries, he managed the Community's Mediterranean policy from 1982 to 1984, before turning to the Community's development actions in favour of the countries in Africa, the Caribbean and the Pacific.

Lorenzo Natali played an important role, through his advice and personal prestige, first in finding answers to the difficult problems which divided the Member States and then in relaunching the building of Europe. His action was often decisive, President Delors reminded his audience, especially during the last enlargement negotiations and in contacts with African countries. He contributed to a heightened awareness of development issues, favoured the relaunch of actions in favour of African countries and established with their leaders a relationship based on confidence and mutual respect.

During the commemorative service the European Commissioner for development aid, Manuel Marín, inaugurated the Lorenzo Natali Prize, which will be awarded to a work of journalism devoted to the problems of development cooperation.