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INTERNAL MARKET: Higher living standards and several million more jobs if ...

The experts quantify the economic gains from a single market.

The 12-nation European Community could add about 5% to its Gross Domestic Product - or roughly ECU 200 billion* - by successfully completing the single, integrated market by 1992, according to an expert group convened by the European Commission. The group also concluded that the single market would lead to the creation of between 2 to 5 million new jobs in a few years' time.

Its findings were made public here last month, and will be published shortly in book form. They are based on an evaluation by the experts of (1) the heavy cost of the current fragmentation of the European Community into 12 separate markets and (2) the immense benefits from the completion of the single market, arising from opportunities for growth and job creation.

The direct costs of frontier formalities have been estimated at 1.8% of the value of goods traded within the Community. In addition, differences in technical standards and regulations are estimated to add nearly 2% to the total costs of European companies. Both would be eliminated by the creation of the single market.

As for the economic sectors which are dependent on government contracts - energy generation, transport, office and defence equipment, etc. - the completion of the single market could result in cost and price reductions of 10 to 20%. At the same time, the expansion of outlets following the disappearance of internal frontiers would allow numerous firms to reduce production costs - by anywhere from 1 to 7% for one-third of Europe's manufacturing industry.

The total gains, the experts believe, could be an increase of between 4.25 to 6.5% in the GDP of the 12-nation Community, equivalent to an increase of ECU 170 to ECU 250 billion at 1988 prices. While the experts did not try to estimate the gains for each of the 12 member states, they concluded that Spain and Portugal, the two newest members, would enjoy gains above the Community average.

The number of jobs likely to result from the disappearance of the Community's internal frontiers would depend on the economic policies pursued by the Twelve, according to the experts. The more such policies favour economic growth, even while holding down price increases, the greater will be the job creation effect.

* 1 ECU = UK£0.67 or IR£0.78

INTERNAL MARKET: The coming "Europeanization" of government procurement

Another step towards the single market in 1992.

From next year* government procurement in the European Community will open up further to suppliers in all twelve member states. The EC Council of Ministers adopted last month a Community directive which coordinates the procedures to be followed by governments when inviting tenders for the supply of goods.

This directive, which was adopted unanimously, should help ensure that public procurement is much less the preserve of domestic suppliers than is the case at present, despite Community regulations which date back to 1977 and 1980. The new directive provides for more information to be made available to interested companies and it should ensure more equitable treatment for firms from other Community countries.

Although the Council did not accept the amendments put forward by the European Parliament, the European Commission nevertheless is of the opinion that the new directive is a major step in the direction of the single market, set for 1992. The full liberalization of government procurement requires the adoption of a number of additional measures, covering construction contracts, services and the sectors at present excluded from the scope of Community rules: energy, water, transport and telecommunications.

* From 1992 in the case of Greece, Spain and Portugal.

INFLATION: It remains moderate

Prices up by 0.3% in February and by 3% over a 12-monthly period.

The rise in consumer prices remains modest in the 12-nation European Community. Prices rose by 0.3% in February and by 3% in the 12 months to February 1988. The trend in prices evident since the beginning of last year therefore remains unchanged, according to the EC's statistical office, Eurostat, which has just published these figures.

The consumer price index rose by 0.2% to 0.3% in most Community countries in February, it even fell by 0.5% in Greece. However, it rose sharply in Denmark (0.8%) and Portugal (1.4%).

The 12-monthly inflation rate for the Community as a whole was 3%. This was substantially higher than the 0.9% recorded in Japan but less than the 3.9% recorded in the United States. The rate of inflation remained below 2% in five member states - the three Benelux countries, Germany and Ireland. It ranged between 2% and 5% in Britain, France, Spain and Italy but was over 5% in Denmark, Portugal and Greece.

TOURISM: 25m. package holidays are sold in the EC each year

It's a cake which nevertheless leaves one-third of tourists with a bad taste in the mouth.

Between 27% and 37% of European tourists had problems with their package holidays, according to a survey carried out in 1982 and 1983 for the European Commission, by a firm of marketing consultants, in Britain, Germany, France and Italy.

Given that some 25 million package holidays are sold in the European Community each year, it follows that up to 8 million consumers are more or less dissatisfied with their purchase. Are they to be dismissed as grouchers? Or is it a case of inadequate protection for consumers who must pay in advance, and blindly, for a service which does not always come up to expectations?

Package holidays have blossomed over the years, and given a growing number of Europeans a chance to travel. But they have also resulted in a rising tide of discontent among tourists, who have had their plans upset through delays, cancellations and last-minute changes.

Hence the initiative of two European Commissioners, MM Ripa di Meana and Varfis, who are responsible for tourism and consumer protection respectively. They have drafted a directive which aims at restoring order to this sector of the tourist trade.

The holidaymaker is especially vulnerable as a consumer. His misfortunes seldom evoke a sympathetic response; on the contrary, stay-at-homes often delight in them. But holidays can have a tonic effect on the work-weary and the holidaymaker has as much right to expect value for money as the purchaser of a cooker or a vacuum cleaner.

The Commission's proposal, which several member states had requested, in fact, covers the entire field of package holidays, including trips to a single destination as well as tours involving several stopovers; foreign travel in order to attend a conference, on grounds of health or for a combination of business and tourism. The basic criterion is the purchase by the consumer of an all-inclusive travel package.

The Commission's proposal defines the responsibilities of firms in the travel business and tourists, when the former are prevented from providing the services for which they have been paid, so that the consumer can be promptly reimbursed, if his complaint is justified.

The proposed directive also seeks to stabilize prices. It rules out last-minute price increases, at the whim of tour operators. Those who have paid the full amount within 30 days from the date of departure will not have to fear last-minute changes. Nor will price changes be allowed during the three months which follow the conclusion of a contract.

(Contd.)

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Any changes outside these periods will be allowed only in the event of increased costs - due to higher transport charges (including higher fuel prices), dues and landing fees, port and airport dues - and to fluctuations in exchange rates. Even so, the total variation will have to exceed 2% of the agreed price.

What is more, firms will have to provide travellers information which is clear, precise and intelligible; ensure the punctuality and effectiveness of the services to be provided; offer alternatives in the event of a cancellation and, where this is not possible, reimburse payments made or pay adequate compensation in other cases.

The European Commission has tried, in short, to provide all travellers an effective safety belt.

DEVELOPMENT AID: 9 out of 10 Europeans favour aid to developing countries

The European Commission publicizes the results of a Community-wide survey.

Europeans are showing greater foresight when it comes to the question of aid to developing countries. Some 90% of them favour such aid, according to a survey carried out in all 12 European Community countries last autumn, when more than 11,000 persons were asked for their views on a variety of Third World issues.

Three out of four Europeans believe that aid to developing countries is both important and needed as a matter of urgency. Those who are more alert to the problem include the young, the better educated and those who are generally left of centre. However, Europeans are more concerned on the whole with problems of unemployment, terrorism, the environment and energy supplies.

Even so, last year's survey pointed to a much greater willingness on the part of Europeans to help the developing countries. The situation differed from one country to another, of course. In Belgium, for example, 17% of those interviewed were not favourably disposed; and this was true of 12% of the British and French.

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However, this was largely because of a greater concern at the emergence at home of a new class of poor, a phenomenon which seems more marked in these countries. As aid to developing countries is seen by many as a charitable action, it is not surprising that there are those who firmly believe that charity begins at home.

Here, also, attitudes are changing, however. Six out of 10 Europeans regard Third World self-sufficiency to be the basic aim of the Community's relations with developing countries, while 20% see these countries as the Community's future economic partners. One European in two believes that what happens in the Third World will affect his future.

The Community's citizens in fact seem far better informed today on the various sources of development aid. While this applies especially to the aid given by their own government, there has been a growing awareness of Community aid. The young in particular recognize the importance of this aid, which was ranked third, after that of the U.N. and the non-governmental organizations.

Europeans nevertheless feel that information on the Third World is inadequate. They would like to know more about the causes of underdevelopment, rather than be given fragmentary information, often limited to disasters or revolutions.

The Europeans are also sceptical of the effectiveness of the action undertaken by the rich countries. Only 30% believe such actions teach the developing countries self-sufficiency and a mere 17% that they prepare them for genuine partnership in the global economy. But the young, once again, are more optimistic and show greater confidence in what the European Community is doing. They clearly are more far-sighted than their elders.

DEVELOPMENT AID: Combatting hunger in the Third World

The World Food Conference, convened by the European Parliament, tried to show how it could be done.

Food mountains in Western industrialized countries and poverty and malnutrition in the developing countries. These two contradictory features of the international community were at the heart of the World Food Conference, held in Brussels on April 7 and 8.

The President of the European Parliament, Lord Plumb, had announced in September 1986 that he would convene such a conference in response to the claim by the organizer of Band Aid, Bob Geldof, that "it's up to the politicians now". A number of international organizations were represented at the World Food Conference, which was attended by numerous experts in agriculture and development.

The debate centred on three related issues: the effect of a reduction in agricultural subsidies on industrialized countries and the rural world; the role of food aid and agricultural development in the Third World. The speeches by the main Conference speakers highlighted the sharp differences between them over the strategies to be followed. This was particularly true of European and American speakers.

The U.S. Secretary of Agriculture, Richard Lyng, accused the European Community of "dragging its feet" over the implementation of its programme to reduce agricultural production. He maintained it was only interested in protecting its own farmers, thus contributing to malnutrition and famine in developing countries. The U.S., he declared, wanted the poorest developing countries to acquire the means with which to buy food.

The EC's Agricultural Commissioner, Frans Andriessen, retorted that the Community was making a substantial contribution and was prepared to do more, even though there could be no question of the elimination, overnight or even in the long term, of agricultural subsidies. He pointed out that all countries, including the U.S., subsidize their farmers, whose incomes nevertheless continued to fall.

Thanks to the Lomé Convention the Community has given proof of its active solidarity with 66 developing countries in Africa, the Caribbean and the Pacific. It was ready to undertake a reduction and a better selection of farm support programmes. It was also prepared to act immediately in the case of sugar, milk and cereals, Mr Andriessen said.

The long-running dispute between the Americans and Europeans prompted the President of Zambia, Dr Kenneth Kaunda, to underline the fact that some 40% of the world's population is living on the edge of famine. "The time has come," he declared, "for the industrialized countries to make the necessary structural adjustments, and to do so at once."

TECHNOLOGY: The Twelve approve six Community research programmes

ESPRIT II gets the green light.

The European Community's science ministers put in a hard day's work when they met in Luxembourg on April 11. They completed the adoption of the second phase of the Community's research programme on information technologies, ESPRIT*, and reached agreement on the scope and financing of another five research programmes, covering such fields as road safety, biotechnology and the definition of European technical standards. These five programmes will now go to the European Parliament, before returning to the Council for its final approval.

With the final adoption of ESPRIT II the European Commission can embark on the second phase of the Community's most important research programme. Launched in 1984, ESPRIT involves a total expenditure of ECU 4,700m.** Half of this is being met from the EC's own budget, with the companies and research institutes taking part in the programme providing the balance.

Some 5,500 scientists and researchers will participate in ESPRIT II, which will coordinate up to 30% of all the pre-competitive research being conducted in the 12-nation Community. ESPRIT already has a number of remarkable achievements to its credit, including the development of the world's most powerful microchip. The projects to be initially launched under ESPRIT at the end of this summer will take advantage of the momentum already generated.

The Community's science ministers also approved three programmes which are a continuation of existing Community R&D activities. They include SCIENCE, a programme which aims at encouraging cooperation among European researchers; an action programme in biotechnology and a programme of applied metrology and chemical analysis, aimed at harmonizing technical standards through cooperation among national experts.

Finally, the ministers adopted a common stand on two Community research programmes drawn up by the European Commission last year. They are DRIVE (Dedicated Road Infrastructure for Vehicle safety in Europe) and DELTA (Development of European Learning through Technological Advance).

All these specialized programmes are part of a framework programme for research and technological development of the European Community for 1987-1991 approved last year by the Twelve.

* European Strategic Programme for Research and Development in Information Technologies.

** 1 ECU = UK£0.67 or IR£0.78

ENERGY: Overall consumption rises but coal remains in decline

Community energy consumption in 1987.

There was a slight increase last year in gross energy consumption in the 12-nation European Community. But while both the production and consumption of electricity and natural gas went up, the year witnessed the continued decline in the importance of coal. And the figures published by the EC's statistical office also confirmed the slowdown in the growth of nuclear energy.

In 1987 Community electricity consumption rose by a little more than 3%, while total production went up by 2.9%. The increases, while above those for 1986, were below the growth rates recorded in previous years.

Electricity from nuclear power stations still accounts for a little less than one-third of total Community electricity production; its share increased only marginally last year, rising from 32.3% in 1986 to 32.4%. Nuclear production rose substantially in Spain, Germany and Belgium but fell in the U.K. and the Netherlands.

Some 70% of the electricity generated in France last year was nuclear in origin. The corresponding figure for Belgium was 66% and just over 31% for Germany and Spain. But nuclear production fell to 17.5% in Britain and to a mere 5.2% in the Netherlands. Hereafter, the growth in electricity from the atom is likely to be linked to the growth in energy consumption, although it had been rising at a much faster rate. The change probably owes something to Chernobyl.

The decline in the use of coal continued into 1987. Shipments within the European Community fell by more than 5%, because of reduced demand from the steel industry (-12.6%), cokeworks (-7.9%) and thermal power stations (-5.7%). Production fell by more than 5%, while the number of miners employed in the Community declined by nearly 10% to 255,000. The decline was particularly noticeable in Britain, France and Belgium.

Consumption of natural gas rose by over 6% last year, but much of the increase was met by higher imports (+10.8%) rather than a rise in Community production (+3.9%). The share of imports thus continued to rise, to reach 36.4% last year. The Soviet Union remained the Community's largest external supplier, followed by Norway and Algeria.