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THE ECONOMY: Grounds for optimism

The European Commission's annual economic report.

This year and the next the 12-nation European Community should experience its highest economic growth rate in recent years, together with an exceptional rise in investments - and all this with inflation at very reasonable levels. This forecast by the European Commission is contained in its latest annual economic report and clearly provides grounds for optimism. Even so, the economy has a number of black spots: unemployment, the threat of renewed inflation and imbalances between Community countries.

The European Commission expects the economy of the 12-nation Community as a whole to grow by 3.5% this year and by nearly 3% in 1989. These rates have not been seen since the end of the 1970s, before the second oil shock. Equally encouraging is the fact that while Britain, Italy, Portugal and Spain were especially responsible for last year's economic dynamism, it has now spread to nearly all the Community countries.

The Commission notes with satisfaction that investments are now the major stimulant to economic growth. They are forecast to rise by 7% this year, a 20-year record. The report attributes this surge in investments to higher yields, much better utilization of production capacity and preparations for the Single Market in 1992.

Inflation is expected to reach 3.5% this year, a slight increase on 1987 but in line with the rates prevailing in the 1960s. The report underlines the fact that differences in inflation rates in the 12-nation Community have narrowed sharply in the last 10 years. The difference between the highest and lowest rates, which used to be 18 percentage points, is now down to 12. It has fallen from 10 to 4 percentage points in the case of the eight countries that belong to the European Monetary System*.

Unemployment remains the main source of concern. The report forecasts that more than 11.2% of the working population will be jobless at the end of this year and 11% at the end of 1989. This compares very unfavourably with the unemployment rates for the United States (5.5%) and Japan (2.5%). The Commission expects the total number of jobs to rise by 1% between 1988 and 1989, which is faster than in previous years.

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The report concludes that bringing down unemployment remains a priority for each of the Community's Member States. To this end the Commission favours higher rates of return on investments, which play an important role in job creation; moderation in wage rises; the elimination of administrative obstacles to job creation and better training. This has been the Commission's strategy for growth and employment since 1985.

The report warns the Twelve against the risk of renewed inflation and calls on them to ensure price stability. Budget deficits and balance of payments problems in a number of EC countries are other areas of concern for the European Commission.

* The Twelve less Britain, Greece, Portugal and Spain.

INVESTMENTS: Seed capital for new companies

The European Commission will help 24 seed funds in a pilot scheme.

The European Commission will help 24 seed funds throughout the 12 Member States to invest in new high-risk, high-technology companies with a long development phase. A pilot scheme, adopted by the European Commission on October 19, will run from 1989 to 1994. It will have a budget of ECU 11.6mn.*, met from the Community's own budget.

The scheme is aimed at companies launched to market a new product or service incorporating new technology, and which cannot obtain the necessary finance from either venture capital funds or banks. The seed capital required by such companies is generally between ECU 25,000 and ECU 100,000. But the resources currently available in the Community for seed investments are inadequate: less than 1% of all new venture capital investments last year represented seed capital.

The Commission will extend interest-free advances to seed funds, to cover up to 50% of their operating costs. The selection process will be particularly rigorous: applicants will have to obtain committed seed capital of at least ECU 500,000.

In the case of seed funds operating in the Community's disadvantaged regions, the Commission will contribute up to 25% of the capital, with a maximum of ECU 250,000 per fund. The scheme will also help set up a Community-wide network of seed funds.

* 1 ECU = UK£0.65 or IR£0.77.

CARS: Cruising with a flat tyre at 50 m.p.h.

The European Commission approves a cooperation agreement between two tyre manufacturers.

In the not too distant future even Sunday drivers will be able to cope with a flat tyre at high speeds; all they will have to do is reduce their speed to 50 m.p.h. This is provided research to develop just such a safe run-flat tyre is successful.

The new tyre is being developed by two tyre manufacturers, France's Michelin and Germany's Continental, who teamed up for this purpose in 1983. The European Commission first thought that cooperation between two such giants would restrict competition and distort trade within the meaning of Article 85(1) of the Treaty of Rome, the European Community's "constitution".

The Commission has decided to approve the new agreement between the two firms rather than ban it. Article 85(3) allows it to grant inter-industry agreements which meet certain conditions exemption from the Community's strict competition rules.

The Commission takes the view that the new tyre and rim system is revolutionary and could mark the beginning of a new generation of safety tyres. Its development, therefore, is clearly in the public interest. Moreover, no individual tyre manufacturer could hope to convince the motor industry to accept a system which is so different from conventional tyres. Michelin and Continental may succeed in doing so together. In any case, the two giants will compete with both systems with all the other tyre manufacturers, who will receive licenses on request.

CARS: The Commission turns down Germany's anti-smog measures

Yet another episode in the long-running saga of the "clean" car.

The anti-smog measures recently approved by several German federal states are contrary to European Community regulations, according to the European Commission, which has duly warned the Federal Government in Bonn, for the second time in two months.

The regulation in question bans motor traffic once a certain level of atmospheric pollution has been reached. An exception is made, however, in the case of cars which meet American standards, but not those which are "clean" under the terms of Community regulations. The Commission takes the view that such measures risk fragmenting the European car market. Besides, the EC has not yet approved standards for smaller cars; the Twelve are to discuss them again on November 24.

AIR TRANSPORT: In need of air

The European Commission proposes measures to ease congestion in the air.

Millions of Europeans will remember last summer as the one they spent in airport lounges, waiting for their flight to take off. To prevent a return of this particular nightmare, the European Commission is proposing the creation of a centralized air flow management system, to coordinate the existing independent units, and is asking the Member States to allow civilian aircraft to use some of the airspace reserved for military purposes.

As regards air traffic control, the European Commission wants the Twelve to coordinate their acquisition of equipment and to develop jointly training programmes for air traffic controllers. It also favours a common air traffic flow management system, using the central data base created by Eurocontrol, an organization to which eight EC countries belong*.

The Commission considers the division between military and civil airspace, which dates back to the 1940s and 1950s, to be obsolete and believes it should be reviewed and redefined. In any case, unused military airspace could be released for commercial traffic during peak periods, in the Commission's view.

The Commission envisages a number of other measures, in the run-up to 1992. They include the mutual acceptance of licences for pilots and other civil aviation personnel as well as the harmonization of technical standards in matters of aerial navigation.

A more long-term objective is the creation of a fully integrated and automated system for air traffic management throughout European airspace. Meanwhile the Commission wants the Twelve to coordinate their plans to build new airports and equipment, with possible financial support from the Community.

It is now up to the EC Council of Ministers to decide - and quickly. The European Civil Aviation Conference has forecast a doubling of annual aircraft movements between 1987 and 2000 - provided the airports can handle them.

* Britain, Belgium, France, Germany, Greece, Luxembourg, the Netherlands and Portugal.

TRANSPORT: Cities fit for pedestrians

The European Parliament has adopted a European charter for the rights of pedestrians.

"Cities must no longer be terrorized by the motor car, which has destroyed social communication." With these words the Belgian Euro-MP, Jef Ulburghs, firmly nailed his colours to the mast. He was followed by the European Parliament which, in voting for a European charter of the rights of pedestrians, was even more forthright than its rapporteur, Mr Graziani.

Pedestrians have a right to cities in which man and not the motor car is king, with areas set aside exclusively for their use - not tiny pedestrian precincts but whole sections, which have been integrated into the city's layout. They have a right to non-polluting public transport; to special provisions for cyclists and to parks, even if it means replanting the city with trees.

The motor car can be no more than tolerated in cities, and only on condition that very severe standards are set, and observed, as regards exhaust gases, noise and speed limits. Streets and pedestrian crossings must be redesigned so that both pedestrians and cyclists are better protected. As for parking areas, they must not reduce the mobility of pedestrians nor prevent them from admiring architectural gems. Motor car designers must eliminate all sharp edges and manufacturers improve the signalling system.

There should be an absolute ban on advertising which encourages drivers to misuse their cars or drive them dangerously. At the same time special measures should be taken to allow pedestrians, especially children, the elderly and the disabled, to stop in the streets and on the pavements, to have access to them and use them.

According to a 1986 OECD study, journeys on foot within urban areas account for between 25 and 45% of traffic as a whole. Given this, looking after the needs of pedestrians means involvement in a relationship between man and the land in a context which is the most specific of our times: after all, between 60 and 70% of the total population lives in urban areas - and as much as 80% in Britain and Germany.

Pedestrians are also the most vulnerable in case of accidents. Some 32% of them died in road accidents, as against 22% of car drivers, according to a study carried out in Britain in 1983. Of the 51,600 victims of road accidents in the EC in 1984, fully one third were pedestrians.

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Even for those who manage to survive, living conditions are becoming unacceptable in city centres. More than 100mn. people must put up with noise levels which exceed the limits considered tolerable. And it is the same as regards chemical pollution.

The European Parliament invites us to rediscover the joys of walking, before the death knell of our urban civilization is sounded.

ENERGY: Electricity savings are within reach

The European Commission proposes an action programme to the Twelve.

Washing machines now use 26% less electricity than 10 years ago, refrigerators 16% less and dishwashers 10% less, while certain fluorescent lamps allow savings of between 70 and 80%. The European Commission, which believes the European Community can do much more to save electricity, has just sent the 12 Member States an action programme aimed at (1) improving the efficiency of electrical appliances and (2) encouraging consumers to buy those which use less electricity.

The Commission wants to facilitate the testing of new appliances and technologies and to ensure that consumers are better informed. To this end it is seeking the cooperation of all interested parties, including manufacturers, electricity companies and consumer organizations. Each Member State would launch whatever activities it thought necessary, while the European Commission would coordinate them.

This programme should help the Community reach the goal it set itself in 1986: to produce as much by 1995 but with 20% less energy. According to Commission estimates, a 10% saving in electricity consumption would allow the Community to dispense with the construction of 50 new power stations, whether nuclear or thermal.

TECHNOLOGY: Looking to the Far East

Europe is barely interested in Asia, according to Euro-MPs.

The 12-nation European Community should follow technological developments in the Far East, especially Japan, very closely, according to the European Parliament. The Euro-MPs in fact have urged the European Commission to undertake a number of activities, which they have listed in a resolution adopted on October 14. They include, in particular, a close study of Japanese R&D programmes and increased facilities for learning Japanese.

Japan and the newly industrializing countries of the Far East - Hong Kong, South Korea, Taiwan and Singapore - are making rapid strides in numerous high-technology industries. According to a report by the British Euro-MP, Amédée Turner, which was the basis of Parliament's resolution, the EC had a deficit of some ECU 28 billion* in 1987 in its trade in consumer electronics with the 10 Far Eastern countries which are the most advanced in this sector, including China and Indonesia. The Community's deficit in consumer electronics is equal to roughly two-thirds of the Community budget.

The EC has a trade deficit with Japan in the case of 14 categories of electronic products for the home and office, including cameras, photocopying machines, telephone and telex equipment, computers, television sets, radios, hi-fi equipment, electronic musical instruments, microwave ovens, watches, calculators and video recorders.

The Community has a trade deficit with South Korea and Taiwan also as regards 13 of these categories. Mr Turner's report underlines the fact that Japanese investments often lie behind the output of electronic products of other Asian countries.

The report claims that Japan no longer needs to copy Western technologies in order to succeed on world markets. The Japanese conduct their own R&D, which is carefully organized and planned on a long-term basis in close conjunction with private companies and State-run laboratories.

Mr Turner, whose report is based on research he conducted personally in Japan, takes the view that European researchers attach greater importance to intuition and the individual, and therefore to individual rather than team performance.

The European Parliament has concluded that Europeans could avoid unpleasant surprises, and even take advantage of opportunities for technological cooperation, if only they would keep themselves informed of developments in Asia.

* 1 ECU = UK£0.65 or IR£0.77

ENVIRONMENT: Towards a well informed public

The European Commission proposes freedom of information on environmental subjects.

The environment belongs to everyone, so that everyone has the right to be fully informed on the state of their environment, the dangers which threaten it and the solutions which are proposed, according to Stanley Clinton Davis, the member of the European Commission responsible for environmental policy.

The Commission's new proposal would give the public an automatic right of access to environmental information held by official agencies at the national, regional and local levels. The information covered would relate to the quality of air, soil and water and the state of flora and fauna and of natural areas.

All public or private projects likely to affect the environment would be covered by the proposed legislation, as would measures for preserving, protecting and improving the environment. The information to be made available would include that contained in the final version of official documents and held on electronic data bases by public bodies responsible for research, consultation, management or decision-making. A refusal to provide information would have to be justified.

As well as providing access to information, the Commission's proposals would also oblige Member States to prepare national reports on the state of the environment at least every three years from 1992. These reports would be widely distributed.

The Commission has taken into account the fact that provisions for making environmental information available to the public already exist in most Member States. But as they vary widely, the new proposals would ensure equal conditions of treatment in all Member States - as regards such commercial activities as waste disposal, for example - and provide new safeguards for people living close to another Member State. What is more, there would be no discrimination on grounds of nationality as regards the right to information.