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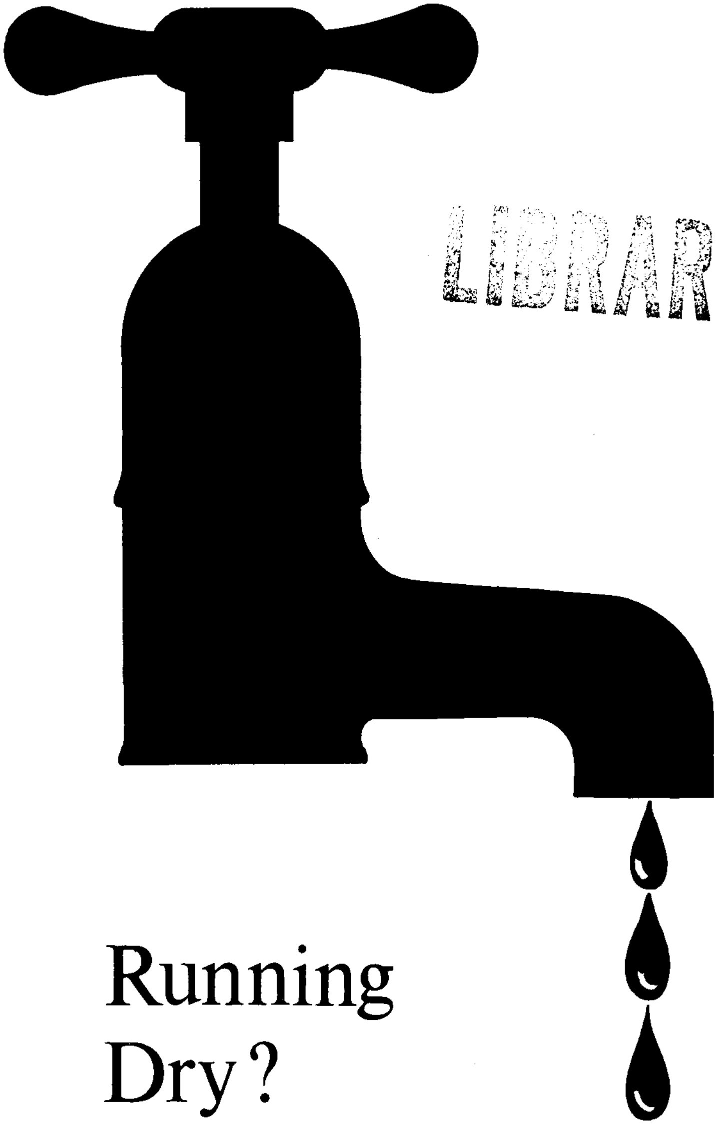

Running Dry?

European Community

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Contents

The Community in December/January

December 19 Finance Council
December 20 Foreign Affairs Council
December 20 & 21 Transport Council
January 16 Finance Council
January 17 Foreign Affairs Council
January 23 & 24 Agriculture Council

Politics

Energy — the danger signs

Dr Guido Brunner, the Commissioner responsible, gives the facts

The carefree world untroubled by energy supply problems is gone beyond recall. There are two figures to prove it: the European Community covers over 50 per cent of its energy requirements with oil, and of this 90 per cent has to be imported. Even if, ten years from now, North Sea oil is gushing from every borehole, 80 per cent of our oil requirement will still have to be met from external sources. It would be folly if a passing glut of oil were to make us forget the danger of the oil weapon.

In the past 20 years, it has been used three times, and twice with success: in 1956, when the United States embargo called an abrupt halt to the Suez adventure, and in 1973, when the Arabs raised oil prices drastically following their war with Israel. In the Six-Day War of 1967, the oil bomb failed to go off — but only because Libya broke the ranks of the Middle East suppliers. Any day we might find ourselves back in the 1973 situation, for we are no less dependent on Middle East political developments today than we were then.

It would be a fatal mistake to imagine that the Arab oil states are just as dependent on the income from oil exports as their customers are on the oil. Not at all; several of the Arab OPEC countries are even now collecting twice as much oil revenue as they can use. With every increase in their oil exports, they are boosting their inflation, and above all adding to the difficulties of their social development. The interests of the oil states would be better served by going carefully with the liquid gold so that their children and children's children will still have some of it left. I feel certain that from 1990 onwards Europe will no longer be able to buy as much oil as it wants to. This for two reasons:

☐ The Arab producers will then no longer be willing to export more oil than is expedient for their economic development.

☐ Unless President Carter's conservation programme really does come off, the United States' import requirements in ten year's time will be so colossal that the Americans will crowd out of the market all other contenders for the limited oil reserves.

Even on the assumption that we Europeans go all out to uncover new energy sources, and that the demand does not rise by more than 3 per cent a year, the most the Community can hope for in 1985 is to cover 50 per cent of its requirements from indigenous sources — by using European coal and water power and European oil and gas. From the 'new' sources of energy we need not look for any miracles, least of all from solar energy and geothermal heat. The day will assuredly come when many a home is heated by solar energy, but for the time being it certainly will not supply a power station. Geothermal heat can be utilized in only very few areas of the Community. With regard to coal-fired power stations, we cannot build as many as we need to meet the energy demand: indigenous coal is very dear, and importing it would mean exchanging dependence on oil for another kind of dependence. Incidentally, coal power stations involve considerable environmental pollution, which would no doubt bring to the barricades those very people who are already protesting against nuclear energy.

No policy

Despite the trying experiences that all the Community countries have gone through in matters of energy supply since 1973, there is still no European policy in this sector. On the contrary, we find the Community countries time and again trying to pull trump cards on each other: some have a little oil, others have some coal, and others again have a developed nuclear industry. Some member States also have money, and others only the hope of better times to come. But when the squeeze hits us in the 'eighties, if not before, the present-day obstacles to a common policy will prove to be trivialities. We are all in the same boat. Conservation measures are also needed to avoid distortions of competition. Yet another reason for a common policy is that our only strength as oil importers lies in presenting a united front to the producer countries. And when one considers that in the next ten years 25 per cent of the Community's investments will be in the energy sector, that figure alone makes it amply clear that such a vital area of our economic activity cannot be left outside the embrace of Community policy. The balmy days of national independence in energy policy are now over — only that realization hasn't yet dawned in every Community capital.

At the present time we have well over five million unemployed in the Community. Merely to halve that number by 1980, we should need an economic growth of 4.5 per cent. Nowadays one can say that one per cent economic growth means about one per cent more energy consumption. But as the world energy market is shrinking — the Soviet Union, for instance, will be exporting practically no energy in the 'eighties — there is a danger of energy prices climbing ever higher and ever faster. And such price increases, of course, not merely endanger our economic growth, but may cause unemployment to become a permanent problem. There are two figures to back this statement: the rise in oil prices alone this year is likely to mean an additional burden of $2,500 million on the balance of payments of the Community countries. Anyone who wants to escape higher oil prices must come up with an alternative to oil. That alternative is nuclear energy, and those who rail against nuclear power and at the same time plead for full employment should realize that there is a direct connection between the two: no nuclear energy, insufficient growth; no growth, no drop in unemployment.

When it comes to nuclear energy, we Europeans are the last who can afford the luxury of dogmatism. We must use nuclear energy, and thereby get the message across to the oil-producing countries. In this way we can let it be known that we are not willing to go along with any oil price policy whatsoever, nor do we have to.

Mistakes

In regard to the use of nuclear energy, a lot of mistakes have been made. For one thing, it was not brought home to the public clearly enough how seriously Europe will be bedevilled in 1985 by costly and, worse still, unreliable energy imports. For another, silence on the part of the public earlier on was taken to signify approval. The need of the hour is to inform the man in the street fully and involve him in the decision-making processes. One thing, of course, is certain: there can be no absolute safety, but for that matter there is none in coal-mining (170 killed underground in the Community in 1976 alone!), or in the oil industry (Ekofisk incident). All the calculations to date point to the conclusion that nuclear energy is no more dangerous than conventional methods of energy recovery.

Moreover, the debate on the nuclear industry is not always entirely honest. Often enough, it is not nuclear energy itself that is on trial, but the form of society that needs nuclear energy for its survival. Some are against that form of society because they dream of a return to the simple life and a no-growth, sandal-wearing society — not a very convincing model! Others are against the traditional social structure because they want a collectivist society. These jackbooted nuclear 'objectors' carry on their revolutionary trade in the guise of peaceful ecologists.

But what those in authority also know is that we cannot go through with the planned nuclear energy programmes against the will of the public. Thus we still have a lot of work ahead of us to convince sensible people that nuclear energy is not only necessary, but controllable as well.

Statistic of the month

At the end of September six million people were registered as unemployed at employment offices throughout the Community. This is 2.4 per cent more than in August. Even after the figures have been adjusted for seasonal variations a slight upward trend is noticeable.

Some 5.7 per cent of the civil working population were registered as unemployed at the end of September 1977. This compares with 5.0 per cent in the same month last year.

This increase, however, was largely caused by changes in the Italian legislation which have influenced registration practices and by unemployed school-leavers in France registering, as usual, only in September, after the school holidays. The figures for the Federal Republic of Germany showed a 5.4 per cent decrease in the number of registered unemployed, the Irish total fell by 3.4 per cent and in the Netherlands and the United Kingdom there were 1.6 per cent less people registered than in the previous month.

News

The month in Europe

Office for N. Ireland

The Commission hopes to set up an information office in Belfast in 1978, Roy Jenkins announced on October 20, 1977, during his first official visit to Northern Ireland as President of the European Commission. The Commission already has offices in London, Cardiff, and Edinburgh (see page 2 for addresses).

Textiles action

Faced with a trade deficit in textiles which has risen from 162,705 million tons in 1974 to 569,253 million tons in 1976, the Commission is planning two lines of action: to reduce the growth of imports from low-cost producers, and to see how the Community can help the industry to restructure during the resultant breathing-space.

Growth target

The Economics/Finance Council, meeting in Luxembourg on October 17, 1977, set a growth target of 4 to 4 per cent in real terms for the Community, and a target for the reduction of the average inflation rate to 8 per cent.

Transport moves

The Council of Transport Ministers, meeting in Luxembourg on October 27, 1977, in the presence of Commissioner Richard Burke, made notable progress in a notoriously intractable field. Among other things, it reached a compromise on working conditions for lorry crews, including an increase in the weekly rest period, and some exemptions from the use of the tachygraph. It reached broad agreement on rules for road freight rates; it approved a Regulation on measures needed to make national railway accounting systems comparable; it provided for simplifying the formalities involved in regular coach and bus services between member States; it broadly agreed on a Directive aiming at the mutual recognition of qualifications for passenger and goods transport operators; and it passed a resolution condemning air piracy and terrorism and calling for international measures to combat them.

Audit Court

The Council of Ministers has appointed the nine members of the new Court of Audit who are to vet the Community's accounts. The British nominee is Sir Norman Price, until recently Chairman of the Board of Inland Revenue.

Say ‘Wen’

Commission plans research on large towns

The growth of large urban concentrations at the expense of the countryside presents problems for all countries today.

As far back as February 1972, the Community’s Scientific and Technical Research Committee (CREST) was presented with a report from the Planning Group on Town Planning and Housing Structures urging the need for increased scientific research, studies and pilot projects concerning town and country planning.

Following further reports CREST agreed that this was a matter that would benefit from concerted research by the member States and all, with the exception of Luxembourg, have agreed to participate.

The Commission has now submitted to the Council of Ministers proposals for coordinating this research on an ordered basis. The total cost to the member States is expected to be about 1,000,000 EUA (£650,000; 1 EUA = 65p). In addition, the Community will contribute 200,000 EUA (£135,000) for coordinating purposes.

Type of Research

The areas of research are:

☐ Location of economic activities;
☐ Migration;
☐ Evaluation of Urban Planning and Policies;
☐ Other aspects.

Britain has expressed interest in all these areas except the third and some of the work is already in hand, as, for instance, a study on Regional Migration in Great Britain.

The Department of the Environment or its regional offices will be responsible for most of the research, but other institutions include the Centre for Research in the Social Sciences, University of Kent; the London School of Economics and specialized departments at the universities of Glasgow and Newcastle.

The studies cover such subjects as Indicators of Regional Prosperity; Urban Change in Britain; Urban Employment and Population Mobility in the Glasgow Area. Similar or parallel studies will be undertaken in the other member States.

The Programme is designed to run for two years from the date the Commission’s proposal is approved by the Council. A special Committee is to be set up and a project leader appointed to assist the coordination of projects. At the end of the period the Commission, in agreement with the Committee, will forward a report to the member States and the European Parliament, which will include suggestions for further extension.

Countries outside the Community but which are involved in European Cooperation in this field will be able to participate in the scheme if they so wish.

Report

Europe running dry?

Commission plans to save and develop water supplies

Thirty years ago in Western Europe water was looked on as a free and abundant gift of nature. Today it is neither abundant nor, in most cases free, and it is almost certainly going to become more costly as time goes by. Running water and main drainage are taken for granted in most cities, and, in the larger ones, water consumption now averages 500 litres (say 880 pints) a head a day if you include such items as street cleaning and fire fighting. More and more water will be needed for cooling in factories and power stations in future if industry is to expand in keeping with the population.

Luxembourg

Within the EEC, landlocked Luxembourg, where demand is likely to increase by 166 per cent before the end of the century, will be the first to feel the pinch. It will run short of water by the year 2,000 unless drastic action is taken. The Netherlands, where demand is expected to have increased by 226 per cent within the next twenty-two years will also be close to the danger mark, and some other Common Market countries will have little to spare unless their present targets are revised.

These are some of the conclusions reached by the hydrologists of the European Commission who carried out studies for this year's United Nations Water Conference at Mar del Plata, Argentina, as well as for the UN Economic Commission for Europe Committee on Water Problems.

Plan

To meet the crisis, the Commission intends to look closely at the possibility of establishing a European Water Plan.

Part of the trouble for the Community is that, although plenty of rain falls on it, the catchment area is small in comparison with the population it has to sustain. Already, water is more scarce in Western Europe than in the United States which has a catchment area more than six times that of the EEC — and there are 45 million people fewer in the US than in the Community. The disparity is even greater in the case of the USSR which has a catchment area nearly sixteen times that of the EEC with a population of 12 million fewer. And although the EEC States average a higher rainfall than either of the two super-powers (966 millimetres a year compared to America's 762mm and the USSR's 531mm) yet the US and the Soviet Union each have more inflowing water from external rivers so that the amount of available water per head in the EEC is less than a quarter of the USA's and less than a sixth of the USSR's.

Again, while the total quantity of water available in most of the EEC countries could be enough to last for the next two decades, it is not always to be found either at the place where it is needed or at the time when it is most in demand. Some areas in the Community have four times the average rainfall, and others little more than one tenth.

With demand likely to grow in every country, no large surpluses are foreseen and it is reckoned that the EEC demand for water in the year A.D. 2000 will be twice what it was in 1970.

Competition

But the water investment portion of national budgets is facing increasing competition from demands for better housing and improved social services. Already shortage of funds is holding up projects in a number of countries where cuts have had to be made in public spending. The least costly ways of developing water resources have already been developed; only the more expensive remain. Many countries have a backlog to make up because they failed in the past to install pollution control facilities, and the cost of any long term project is bound to rise over the years. Possible sites for large dams are getting scarcer and the costs of building one are enormous. In some countries there is growing opposition to dams because of their adverse effects on the surrounding environment.

These problems may therefore have to be solved on a Community basis with Community funds, possibly on a regional basis, and perhaps even with Community intervention in cases where a project in one country affects the interests of others. Money from the European Investment Bank and the Regional Development Fund is already being used to develop water resources in Wales and Northumbria.

Pollution problem

Another problem which is already being tackled on a Community basis is pollution, which has increased to the point where in some areas the supply of drinking water is actually declining. The worst instances of pollution occur near large cities and centres of industry. The higher the consumption of water there, the greater the pollution. Pulp and paper mills, chemical works, oil refineries, textile factories, mining establishments, metallurgical works and some branches of the food industry are usually cited as the worst offenders. But farmers, too, are sometimes to be blamed. Intensive use of fertilizers is one of the chief forms of farm-bred pollution, and pesticides, careless handling or storage of manure, or even of fuel oil leads to pollution of drinking water. Moreover, pollution from farms is far less easily traced and controlled than pollution from factories.

Oil and oil products are another growing source of pollution as more cars, tractors and oil transporters deposit sludge and exhaust chemicals which contaminate both surface and underground water supplies. Pollution is also caused by other substances — lead is only one

— which are poisonous even in small quantities.

The Council of Ministers has already adopted two Directives proposed by the Commission to safeguard the waters used for drinking and bathing. Under the first Directive adopted by the Ministers in June 1975, surface waters used as a source for drinking water must meet certain quality standards. The second Directive, adopted in December of the same year, deals with both fresh and sea water used for bathing and is designed not only to prevent the transmission of infectious diseases in water polluted by sewage but also to improve the quality and appearance of the waters used by bathers. None of the nine countries of the EEC had previously gone so far.

Governments will have to spend considerable sums on purifiers and diffusers and the European Parliament has recommended that funds be provided from the Community chest to enable local communities to buy diffusers and purifiers.

Black list

The Commission has also made some progress in its efforts to ban the discharge of dangerous chemicals into seas, rivers and lakes. In 1976 it proposed a Directive aimed at tackling the problem from two sides by monitoring liquids at the point where they were discharged from the factory and by testing the waters which received the discharges. The Directive provides that some substances considered to be dangerous cannot be discharged without prior permission having been obtained and limits are placed on substances specified in a *black list.* Work on the compilation of this list has already begun with the help of a panel of national experts, and a group of substances to be given priority treatment has been named — mercury, cadmium, aldrin, diedrin, and endrin.

Proposals to control waste from the titanium dioxide industry — known as 'red sludge' — and from the paper pulp industries have however run into difficulties. Countries grouped around the tideless Mediterranean would like each plant to be made responsible for the waste it discharges. 'Atlantic' states with strong tides along their coast line, and those with fast flowing rivers, argue that there is no need for plants to be individually monitored since the harmful chemicals are removed by the tides or other natural forces, and controls can be maintained with far less expense by testing the quality of the waters receiving the discharge. But this saving of expense is just what the tideless countries complain of since it gives their competitors an unfair advantage.

Re-cycling

Another problem for the Community concerns the re-cycling process by which high quality water can be recovered after use, undergo a purification process and then be used again, when it would otherwise have run to waste. The UK and the Netherlands already have plans to blend sewage water, industrial water or irrigation water that has become saline with high quality waters to increase the available supplies, and the Commission is already alive to the possibility of new techniques for the treatment and re-use of 'industrial effluents'.

The Commission may also have to deal with a pollution problem of international dimensions. For centuries communities living along rivers have accepted that water used upstream from them will have been re-cycled and purified by the time it reaches them. Today with increased industrial pollution this can no longer be taken for granted, and the matter has become a potential cause of friction between nations drawing water from the same river. Some countries are insisting that water users should return water of equivalent quantity to the rivers from which they draw it. The issue is of special interest to the Federal Republic which draws more than half its water supplies from inflowing rivers from Switzerland and certain East European countries and releases water to them via the Danube.

International negotiations

Another task for the Commission is to regularize the attitude of the Community towards the numerous Water Conventions which various members of the Community, but not all, have signed. Each one proposes slightly different lists of substances to be controlled or banned, and different time-tables for putting the restrictions into effect, and not all States have interpreted their obligations in the same way.

The EEC Foreign Ministers have already given the Commission the task of representing the Nine en bloc in negotiations for the EEC to join the Helsinki Convention for the protection of marine life in the Baltic Sea area.

For the immediate future the Commission is drawing up proposals for a Directive on the protection of underground water against pollution caused by the discharge of dangerous substances, and it is following up its action on water for drinking and bathing by proposing quality standards for water used for farming, for fish culture (including shell-fish) and for water sports.

It also plans to bring together all those who were responsible for the supply of water during the serious drought of 1976, to see what lessons can be learnt from their experiences.

Prospects

For the longer term it will be necessary to study the best ways of regulating flows of water for various purposes, e.g. drinking, irrigation, energy production, etc., and how to redistribute the flow within the same catchment area to allow for guaranteed quantity and quality of supply, for re-cycling and flood control. Some crops require less water than others and farmers might be encouraged to grow them. More water may have to be stored underground and be reserved for drinking purposes only.

Finally, the experts and public relations men will have to put their heads together to make ordinary people aware that there is a water problem. Would people realize the value of water more readily if they were charged for each litre? Would water-suppliers be breaking the law if they levied such charges? Could a water meter — the spy in the bathroom — be installed in every home?

Only time will tell whether governments and their peoples will be sensible enough to ration themselves in the use of this liquid gold.

Aid

Lomé and investment

Centre for Industrial Development set up

The Centre for Industrial Development has been established in accordance with Articles 35/36 of the Convention of Lomé and the various tasks of the Centre are spelt out in detail in Article 36. Taking a somewhat broader view of the tasks they might well be summarized as the simple role of accelerating the pace of industrial development in those States which are signatories of the Lomé Convention. That the task needs to be undertaken and that the opportunities are there can scarcely be denied. The problem becomes one of how the task is to be tackled.

Perhaps the most significant attribute of the Centre is that it is operational in its outlook rather than administrative. The Centre is also strong in industrial experience. A key point in the Centre's work is that it can at all times take the industrial and entrepreneurial critical look which the entrepreneur takes at viability.

It is one task of the Centre to receive an industrial development proposal from an ACP State and to find an appropriate partner in the Community to provide know-how, expertise, experience and sometimes investment. Investment is not just a matter of finance. The ACP have a particular interest in encouraging industrial joint ventures; this is because a joint venture in which the Community partner has a continuing interest is likely to form a good vehicle for technology transfer. So we think of investment in terms of finance and of management effort. But Community industrialists and other economic operators would soon become disenchanted if the Centre were to bring forward for discussion proposals which have no firm prospect of viability. For this reason, another of the Centre's tasks is to vet the proposals and to initiate prefeasibility studies where necessary.

Initiatives from the Centre

In order to smooth the paths, especially for the less developed States, the Centre is itself preparing business profiles for several different scales of production in some of the basic industries. This will allow an ACP entrepreneur to relate the business profile to his own environment and to determine whether it might make economic sense to undertake some particular manufacture. In many cases, the building of the industry will mean the purchase of plant from Europe but thereafter it is the intention that the project should be self-supporting.

Clearly, the processing of raw materials either for added value for export or for import substitution will be of particular interest to many of the States. Community industrialists, makers of manufacturing plant in particular, will quickly recognize this course of action as being of interest to both parties.

At present, the majority of the investment proposals come to the Centre from the ACP States. A smaller proportion is being proposed by European industry. Where the will exists to expand overseas, the Centre can be of invaluable assistance in sorting out potential partners in the ACP States and in conducting the preliminary negotiations.

Moreover, any industrialist planning to visit an ACP State to study the potential for investment is invited to call upon the Centre for help in setting up the visit, and, if appropriate, for preliminary advice on the availability of finance.

No lack of Funds

By and large there is no lack of funds for viable projects. If bank finance is required, then a comprehensive financial analysis will be necessary, but the finding of finance is not expected to present too much difficulty if the project is sound. This is an area in which the Centre can assist by identifying likely sources of third party finance. The Centre does not have funds of its own to invest.

To some extent, the Centre may be looked upon as a marriage bureau seeking to marry an entrepreneur from an ACP State to an industrialist from the Community. In this role, the Centre is currently receiving a flow of requests from ACP industrialists seeking partners and industrial processes. A sheet glass plant in country A; a bicycle factory in country B; a tomato processing facility in country C. Each of these requests gets immediate attention which can lead to direct discussions between a potential European investor and the ACP industrialist. The term investor is used here to describe a person or organization making an investment whether in terms of money or plant. If the ACP industrialist has not been able to formalize the business proposal adequately then the Centre is usually able to help to do this.

Imports Too

Under the terms of the Convention, there is a wide latitude for the import of goods and produce from the Lomé States into the Common Market. This may create opportunities for investments in the ACP States in projects aimed at capturing a Community market rather than the local market.

Whilst the Centre is in no way a trading organization, it is prepared to conduct market research into the prospects for this type of industry. The Centre would particularly like to meet with a potential major importer of any product which could be made in one of the ACP States and imported into the Community. Such an arrangement could involve the importer establishing the production specification and stationing an inspector permanently at the ACP plant to keep a check on quality.

* * *

Industrialists, importers and other economic operators are invited to communicate with the Centre with proposals for overseas investment or simply with enquiries regarding the opportunities. Write to:
The Director
Centre for Industrial Development
451 Avenue Georges Henri
1200 BRUSSELS

Agriculture

New plans for beef

Commission proposes payments to producers

The European Commission has proposed a new system of support in the beef sector, which should allow consumers in all member States to enjoy lower retail prices when there is an abundance of beef, so boosting consumption and reducing the amount of support buying and the accumulation of big beef stocks.

The proposed changes to the market organization would combine support buying with direct premiums to producers, on similar lines to the system temporarily operating in the United Kingdom.

Intervention buying, pitched at a relatively low level, would put a floor in the market, while producer income would be maintained by direct payments if the market price fell below a certain level.

The Commission's proposals are based on a report which it has sent to the Council of Ministers.

Report

The report shows that the situation on the beef market has improved substantially in the last two years. The cost of market support has fallen from 1,300m units of account in 1975 to 520m this year and the level of output has dropped from 6.6m tonnes in 1975 to an expected 6.15m in 1977.

When there are surpluses, the changes suggested by the Commission would help to avoid the accumulation of over-large stocks while offering consumers lower prices which would help to boost consumption. Stable producer returns would be guaranteed by various measures — import levies, aid for private stocks, variable premiums paid direct to producers and intervention buying.

When beef is short, the import levies and customs duties would progressively diminish. Slaughter premiums would be used to increase marketings and reduce prices to the benefit of consumers. The various measures would be implemented according to the state of market prices relative to the target price.

Intervention

The Commission believes that permanent intervention is an adequate and effective system for stabilizing market prices for beef.

The Commission however believes that the intervention system can be made more flexible without damaging its positive aspects. It proposes that it should be fixed at a level below the current 90 per cent of the target price, with producer returns guaranteed by direct premiums, storage aids, levies and duties.

Economic Affairs

The steel trap

Community seeks reasonable ways out

It is little wonder that the Community steel industry regards with trepidation President Carter's promise to US steel producers 'aggressively' to enforce anti-dumping laws. Even if, in the end, dumping is unproven, exporters can be faced with heavy costs during the investigations by US authorities.

The protectionism implicit in the move could have serious repercussions on world trade, and both the Community and Japan have expressed their concern.

On October 9, 1977, Viscount Etienne Davignon, the Commissioner responsible for industry, warned that the closing of markets to imports would not alleviate the industry's fundamental structural and capacity problems. It was the difference between capacity and demand that was creating the fundamental crisis, he said. Two days later the Commissioner urged that, rather than engage in a trade war, all parties should seek a common diagnosis of the problems and a common solution.

A year ago, M. Henri Simonet, then the Commissioner responsible, warned that the Community steel industry was in a highly troubled state. He was introducing Commission proposals for a common steel policy designed to shield the industry from excessive imbalances in supply and demand for steel. The Commission's latest communication to the Council on prospects for the industry in the last quarter of 1977 show that, in contrast with the economy as a whole, the levels of the industry during 1977 remained below the levels of 1976 in terms both of production and orders received.

The main reason for this decline, the Commission says, is flagging demand due to restricted activity in the capital goods industries. The consequences of this trend have been accentuated by the high level of imports. These cover more than 10 per cent of Community requirements. The situation has been aggravated in recent months by stockpiling on the part of consumers and traders as a result of their interpretation of the market following the introduction of guide prices by the Commission on May 5.

Such problems, however, are surface symptoms of a deeper malaise. The Commission has been seeking to find a cure for this malaise, but so far without success.

A Report to the European Parliament last July noted that the Community iron and steel industry is currently working at only 60 per cent capacity. The level of demand on the world market is so low that imports however negligible, have led to a slump in prices. Although the most efficient companies have been able to withstand recession, the vast majority are in difficulties and suffering financial loss. The least modern industries, which in normal times can find a market for their products are, of course, the hardest hit. The major cause is the contraction of the building industry and the failure of industry to re-equip.

A further cause, however, is poor productivity in EEC countries compared with certain third world countries, e.g. in 1976 the UK produced at a rate of 30 man-hours per tonne, West Germany at a rate of 18 and Japan at a rate of four.

There has also been a decline, according to a Commission survey in investment in real terms in the industry. In 1976 the Community invested approx. £2,000m at current prices compared with £2,200m in 1975. Measured in terms of constant 1970 prices, however, investment declined from £1,400m in 1975 to £1,100m in 1976. In 1977 investment is expected to decrease further to £1,800m in terms of current prices or £900m in terms of 1970 prices.

The Commission questions whether this level of investment will be adequate to bring those firms requiring modernization up to a competitive standard, particularly as, unless there is a swift recovery in steel prices and production, the large volume of interest and capital repayments involved in past borrowings will limit funds available for future investment, and the necessary restructuring.

In the light of this the Commission considers that crude steel production potential in the Community in 1980 will be only 214 million tonnes, instead of the 220 million tonnes estimated last year.

Under Articles 58 and 59 of the European Coal and Steel Community (ECSC), the Commission has powers, if the industry is confronted 'with a period of manifest crisis' (and with the consent of the Council) to take binding action in the establishment of production quotas or other measures to maintain viability.

Hitherto, the Commission has relied largely on voluntary cooperation with producers; the Simonet 'plan' which came into effect on January 1, 1977, and covered the first six months of the year, provided for a joint procedure involving 70 groups of iron and steel undertakings in the implementation of delivery programmes.

In the spring, Commissioner Davignon introduced further measures relating to prices and commercial policy. Under Article 61 of the Treaty, minimum prices for concrete reinforcement bars were made binding, but guidance prices were also fixed for a number of laminated products. The object of the price policy was to encourage delivery quotas and relieve the depressed state of the market. Recent checks by the Commission have shown that some firms, particularly in Italy have been selling bars below the minimum price; as a result the Commission may decide to take action against them.

The Commission has also introduced Community surveillance over imports of certain iron and steel products by means of automatic licences. These are expected to give the Commission a more precise picture of the volume of steel imports, so that, if necessary, it can enter into bilateral discussions with exporting countries and ask them to restrict production voluntarily in the same way as Community producers.