TRADE UNION NEWS

from the European Community

No 9 Autumn 1972

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NEW TRADE-UNION STRUCTURES FOR THE COMMUNITY?

As the Community has changed, so have the demands made on its trade unions. From the *ad hoc* committees set up in the early days to deal with the first emerging institutions of the Common Market have developed first secretariats, then full-scale trade union confederations, conceived on a European basis and equipped with their own statutes, to deal with almost every aspect of Community affairs. Now, with the pace of integration increasing and enlargement due next year, European trade union structures are changing yet again: and whilst the prospect of a single giant European centre for all the continent's unions is still a long way off, the chances of most of them achieving at least some sort of *modus operandi* is probably better than it has ever been.

European trade unionists have long been exercised by the need to smoothe over their divisions and achieve status in the Community commensurate with their numerical strength. Recently, they have been impelled to practical action in this direction by two important developments, one external to the trade union movement, the other inside. The external event is the enlargement of the EEC; the other, the efforts of the three Italian union federations to form a united front.

The European, like the world, trade union movement, has traditionally been split three ways: there exist at present within the Community the European Confederation of Free Trade Unions (12m. members), which is an offshoot of the socialist-social democrat International Confederation of Free Trade Unions (to which the TUC is affiliated); the European Organization of the World Confederation of Labour (ex-christian), with 2.5m. members; and the loose alliance (they have a Standing Committee) of the two big Communist trade unions of Europe, the Italian CGIL and the French CGT, together mustering 4.5m. members, which are affiliated to the Prague-based World Federation of Trade Unions.

The impetus of EEC enlargement

The ECFTU has its counterpart in the European Free Trade Area in the EFTA Trade Union Committee (with roughly the same membership), but as the extension of the Common Market approaches, this division of function loses its point. Accordingly, leaders of these two ICFTU-associated groupings met in Oslo in November last year to plan for the "extended trade union cooperation" which the new Europe required; they decided that a new European confederation was needed, and that it should not restrict membership to unions in present or potential Community countries. Understandably, the Austrian, Swiss, Swedish and Finnish trade unions were not keen to be left out in the cold, and in any case their countries' economic future will be to a large extent bound up with that of the rest of Europe. Plans for the new organization took another step forward in June, when the sixteen national centres agreed on a draft constitution and proposed that the new confederation's founding congress should be held in December in Brussels.

Meanwhile, another dimension had been added to the debate. It was felt in many quarters that the founding of the new organization presented a golden opportunity for ending the ideological, as well as purely organizational, divisions of the European trade unions. A confederation with 25m. members looked fine on paper, the argument ran, but in practice, in the era of the multinational company and the increasing interdependence of national economies, an entirely ICFTU-oriented centre would be disproportionately weakened by the absence from its ranks of most of the trade unionists in France, half of those in Italy and Belgium, and nearly a third of those in the Netherlands - that is the Communists and Christians. Why not unite them all in a single trade union centre for the whole of Europe?

The problem became all the more urgent as parallel plans to unify the Italian trade union movement gathered momentum. (See p.29). The original intention had been to achieve full unity by 1973; in the event, for various reasons, complete union has for the moment been ruled out. One of the main stumbling blocks in the merger negotiations was the international affiliation of the unified centre. It couldn't join the ICFTU, since the CGIL wouldn't agree, and the two ICFTU affiliates were equally opposed to links with the Communist WFTU. But the parties did jointly call for a new European trade union organization, with no ties to either of the competing world bodies, which would be open without discrimination to all European trade unions. Although it has now been overtaken by events, this declaration gave added impetus to the move to "secularize" the European trade union movement.

The search for solutions is still going on. At their June meeting, the ECFTU and EFTA-TUC leaders decided to pursue contacts with the European Organization of the WCL with a view to "preparing a further dialogue on future European trade union cooperation"; and a month earlier, the EO-WCL congress had approved in principle the basic idea of a unified European confederation (see p.27). Moreover, the ECFTU and EO-WCL already joined forces for a number of joint actions on the European front.

Collaboration with the Communist unions is going to be much more difficult, if it is possible at all. Whilst both the CGIL and the CGT declare that they would welcome closer cooperation, anti-Communist feeling is still strong amongst many of the ICFTU unions, who remember that their International was set up in 1949 as a counter to intolerable political pressures brought to bear on them by the Communist majority in the then unified WFTU.

Links with the ICFTU

Finally, the question of the new European confederation also figured on the agenda of the ICFTU's tenth world congress, held in London during July. The debate centred on the future relationship of the new organization to the world body: was it right that its constitution should leave out all reference to the ICFTU (as the draft does), thus by implication leaving the door open to membership by non-ICFTU unions, or should there be formal ties? Some ICFTU delegates also expressed the fear that the new European body would become a "club for the rich", ignoring the interests of the unions in the developing world.

The question was taken up again by Heinz Vetter, President of the German DGB, in an article in the October issue of the ICFTU's monthly, "Free Labour World". Mr. Vetter comes down clearly in favour of a compromise situation where the new European organization has some form of formal link with the ICFTU, but which will not prevent links with non-ICFTU unions being established later. He also denies hotly the claim that the new body will be narrowly European in its attitude.

IN BRIEF

Strengthening the European Parliament - the Vedel Report

A much-strengthened European Parliament, directly elected, with wide legislative powers and close links with the national Parliaments - this was the proposal put forward in March by a Working Group under the chairmanship of Professor Georges Vedel and set up by the European Commission.

The Vedel Report argues that despite the Parliament's limited powers at present, the authors of the Treaty of Rome had attached great importance to it; at the time, they were "more interested in the construction than the government of Europe; they did not give the Parliament a very important place among the Community institutions, thinking no doubt that the matter would have to be reviewed when the time came". Hence the Parliament's ambiguous legal and political position and its inability to do more than record its opinion on most questions; hence, again, its lack of impact on press, public opinion and the political parties. Even its authority over the question of the Community budget (which it interprets as allowing it to reject the whole draft budget in order to secure fresh proposals) counts for little. "In the Community as in the member countries, the budget does little more than put figures to decisions taken earlier on. It is in their capacity as legislators much more than budgetary authorities that the national parliaments control public finances. As the European Parliament is not a legislature, it can do no more than check the sums for almost all sections of the budget". In any case "purely budgetary powers are a weak means of influence. The direct attribution of a power of co-decision in legislative matters ... is much more decisive".

Balance between Parliament, Commission and Council: As the Community grows, the Report goes on, there will be an increasing need for the effective reconciliation of difficulties. This cannot be the role of the Council of Ministers, since Council deliberations allow of no public debate, do not commit Parliamentary oppositions and could transform what were mere differences between sectoral interests into national conflicts. The balance between Council, Commission and Parliament must be adjusted to eliminate the real fault of the present system, which is "not the position occupied by the Council, but the weakening or fading away of its partners". At the moment, "the cohesion which must exist between the Community's various activities is frequently forgotten because there is no overall view of a policy to be followed. Public opinion is not committed. At the least it is indifferent or only appears in protest. Europe has its 'silent majority'; like the others, it is pretty ineffective".

The obvious forum for this reconciliation of differences is the European Parliament. As the Report points out, if all ten national parliaments had to be consulted beforehand on

Community action, agreement in the Council would be even more difficult to achieve than now. The logical step towards real EEC democracy is therefore to increase the powers of the European Parliament.

Progress will have to be made towards direct elections; the Report favours agreement on a system for achieving this as soon as possible after January 1, 1973. But there is no need to wait for direct elections before increasing the Parliament's powers, the Working Party believes. In the first stage, to begin as soon as possible, the Parliament should have co-decision rights with the Council (which means the latter's decisions could not come into force until approved by the Parliament) on such matters as the revision of the Treaties, the extension of the Treaties to fields not explicitly covered already, the admission of new members and the ratification of the Community's international agreements (list "A"). On a wider number of matters (list "B", including, amongst others, the common farm policy, the right of establishment, the free movement of self-employed workers, common transport policy, the European Social Fund, vocational training and the harmonization of tax systems and laws) Parliament would be given a "suspensive" veto - i.e. the right to require the Council, within a month of its decision, to reconsider the matter. In stage two, the suspensive veto would be transformed into full co-decision powers.

Links with national parliaments: To complete the reform, links between the European and the national parliaments should be strengthened, the Working Party believes. Increased integration would allow the attendance at the European Parliament of top ranking national parliamentary figures and cut down potential rivalries between the Community and national bodies.

"Industry and Society" conference in Venice

A conference on "Industry and Society in the Community" organized by the Commission in Venice from 20 to 22 April, was attended by about 350 representatives of employers, trade unions, the European institutions, and the governments of member states of the enlarged Community.

The conference's terms of reference were broad; it was not intended to reach specific conclusions or resolutions on industrial policy. After a progress report on prospects for a common industrial policy, still fairly distant, the participants split up into three groups:

Industrial development and social and regional disparities: The group noted the high social cost of rapid growth - mass migration, the exodus from the land, the abandonment of whole industrial sectors - with few changes in the distribution of its benefits. Whilst continuous growth was needed to iron out inequalities between rich and poor, participants agreed that it should not be expansion at any price. The group also looked at the position of workers in factory and firm, in particular in relation to workers' participation in shareholding, collective agreements at European level, workers' participation in management and the proposed European limited company.

Communal activities and the quality of life: All participants agreed that whilst industrialization was necessary, industry should not be permitted to model society, as in the past, but rather the other way round. Pollution, the group said, was not solely an industrial matter; everyone bore some responsibility. Environmental policy should therefore be a collective matter. Action was necessary in the shape of national measures - legal bans, taxation on the discharge of pollutants, obligatory anti-pollution devices in factories - but these should not be undertaken in isolation. National legislations should be harmonized in the Community, or even within a wider framework in which the Community could participate.

The Community's role in the world: Noting the unprecedented development of international company activities, the group feared that they were incompatible with the maintenance at national level of fundamental structures of political and trade union life; tensions were bound to result. Workers' representatives were worried that international companies would abuse their power, fail to take account of the needs of host countries and restrict trade union action. Company bosses, on the other hand, considered internationalization one of the most favourable aids to economic progress. They believed it essential for their companies to be fully integrated into their adopted countries, perhaps by greater use of subsidiaries open to investment in the host country and joint ventures.

A need was felt to move towards a system whereby multinational companies could be represented at European level by spokesmen competent to negotiate effectively with governments of countries in which they were involved.

Economic and Social Committee demands 40-hour working week, 4 weeks' holiday and a pension of 75% of final wage

A 40-hour working week, 4 weeks' holiday a year and pensions amounting to 75% of the final wage - these are three of the priority aims put forward by the EEC Economic and Social Committee in a recent summing up of its views on prospects for Community social policy. The Committee, soon to be enlarged from its present 101 members to 153 when the Community acquires its new member states, is a consultative body on which both sides of industry are represented as well as various other groups; it has to be consulted on all major decisions taken under the Rome Treaty.

Starting out from the conviction that economic and monetary union cannot be an end in itself but only the means to the achievement of greater social goals, the Committee sets out a social policy to be carried out in tandem with the enlargement of the Community and progress towards economic integration. It calls for:

- a European Parliament elected by direct universal suffrage;
- full employment and the recognition of the right to work, which entails democracy at the workplace and full consultation for all employees;
- a system of vocational and general training guaranteeing equal opportunities to all workers throughout the EEC;
- equal pay for women;
- an upgrading of the status of old, disabled and immigrant workers;
- a fairer distribution of wealth, which means reforming tax systems and harmonizing social security benefits.

Employment Committee discusses Italian memorandum

At its fourth meeting in April, the Standing Committee on Employment spent most of its time discussing the so-called "Italian memorandum" - a note submitted by the Italian government critizing EEC social policy and complaining in particular that member states are not doing enough to respect "community preference" in labour matters.

At the meeting, Signor Donat Cattin, the Italian Minister of Labour, went further and proposed that quotas should be set on the immigration of workers from third countries in order to guarantee jobs for the Community labour force. Italy had also suggested that a proportion of EEC job openings should be earmarked specifically for Italians.

In reply, Germany - one of the countries criticized - claimed that the government had done much to encourage Italian immigration: Italian workers in the Federal Republic now numbered 402,000 compared with 228,000 in 1968, and employers had been instructed to give Community workers priority in any expansion of the labour force. The French Minister of Labour similarly stressed that there were no obstacles to immigration - according to his figures, there were currently

130,000 job vacancies in France, all of them open to Italians as to workers from any other Community country. Representatives from both countries added that it was up to the Italian authorities to encourage emigration.

For the Commission, M. Coppé suggested the following measures:

- the organization, in collaboration with the governments concerned, of information meetings to keep private investors up to date with regional investment incentives in the Community;
- the organization of regional action groups to promote investment in backward regions where it would otherwise be beyond the capacity of individuals, particularly the Mezzogiorno.

He also declared that:

- assisted and planned migration should be organized to tie in with regional development;
- there should be a programme of vocational training and preparation for those obliged to emigrate temporarily;
- this planning of emigration should be integrated with the development process;
- the policies of the member states on migration should be co-ordinated;
- Community labour exchange facilities should be improved;
- Italian efforts to upgrade their labour services should be supported.

Employment in the Community - situation and prospects

A summary report on employment in the EEC published earlier this year shows that on the whole unemployment increased over the twelve months to March 1972. Since then, it has tended to decline, though levels are still considerably higher than a year ago.

In Belgium the total went up by 17%, from 76,744 to 90,054, between January 1971 and January 1972. Unemployment is especially severe among young people.

In Germany, from October 1971 to February 1972, the total of jobless rose from 170,100 to 369,100 - an increase of 117% - before falling back to 268,300 by the end of March.

Precise figures are not given for France. Whilst the number of unfilled vacancies has gone up since the end of last year, young people are still finding it difficult to get jobs.

Unemployment in Italy is static, but there is much short-time working. Emigration was lower last year than in 1970.

In April 1972, the number of unemployed in the Netherlands was 53,500 more than a year ago - an increase of 113%.

In Luxembourg, the number of unemployed was insignificant.

Prospects for the future: Forecasts are that employment is not likely to increase much in the Community during the coming months. There is particular concern at the high level of unemployment among young people, especially in France and Italy, and it is now a major preoccupation of employment policy in Belgium and the Netherlands. Immigrants are also less in demand - in the first quarter of 1972, vacancies in Germany were 46% down on the year before - and this trend is likely to continue.

However, even if economic expansion in the Community in the next few years is slower than in the past, a relatively high demand for labour from other countries is to be expected because of the slow growth of the working population. The Community will therefore require a coherent immigration policy, taking account not only of the interests of the host and supplier countries, but also of the long-term requirements of industrial and regional policy.

In addition to measures to stimulate economic activity, Governments of all member states have taken a number of steps under their labour and employment policies to meet the situation. They include public works programmes, vocational training programmes and specific action for specific categories of people.

• Steps to aid migrant workers

The Commission is studying proposals for assisting the migration of Italian workers to northern parts of the Community. This problem, already the subject of many Italian notes, dominated discussion at the Standing Committee for Employment's session in Brussels on April 27.

Italy complains that her 'free-market' workers are often less sure of finding a job in partner countries than workers recruited under contract from non-member Mediterranean countries; she also claims that other member states often ignore Community rules on giving priority to non-Community migrants. Italy wants a Community quota for non-Community migrants, and more Community aid for regional development and for fostering migration.

Member countries which employ many migrants insist that they have many jobs open, which could be filled by Italian workers if they were encouraged to head north.

Commission member Albert Coppé said that, while fixed quotas would be undesirable, the Commission programme now under study would:

- provide better information to investors about possibilities in high-unemployment areas;
- assist migration by improving the flow of information on what jobs are available and by setting up programmes to train skilled workers to meet specific demands;
- coordinate national migration policies, leading eventually to a real Community labour policy.

Italy also urged the harmonization of social security policies. Here, the Commission pointed out the complexity of the problem. Though the percentage of revenue devoted to social security is almost the same throughout the Six, averaging 21.3 per cent, social security expenditure per capita varies from $444 in Germany to $234 in Italy, with a $400 average. Because of this imbalance, the Commission would prefer to wait before seeking harmonization.

Free movement for UK workers

Anyone who can enter Britain without being subject to immigration restrictions will benefit, after Britain enters the Community, from the right of workers to move freely within the Community.

Noting that each member government is responsible for defining 'nationals', the Commission has indicated, in a reply to a written question from a European Parliament member, that UK nationals are, according to a UK declaration annexed to the Accession Treaty:

- 'persons who are citizens of the United Kingdom and Colonies or British subjects not possessing that citizenship or the citizenship of any other Commonwealth country or territory, who, in either case, have the right of abode in the United Kingdom, and are therefore exempt from United Kingdom immigration control;
- 'persons who are citizens of the United Kingdom and Colonies by birth or by registration or naturalization in Gibraltar, or whose father was so born, registered or naturalized'.

In the Commission's view, free movement of workers from the UK to other member states is unlikely to cause special problems. If it does, member states would seek to solve any such problems through Community procedures, according to a joint declaration annexed to the Accession Treaty.

Neither nationals of member states' overseas territories nor citizens of the 18 countries in Africa and Madagascar associated with the Community have the unrestricted right of taking up jobs in the Community. But free movement of workers does apply to French citizens of France's overseas *départements*.

15,000 young workers in partner countries

Over 15,000 young Europeans are working at jobs outside their own countries, as a result of the Community's efforts to encourage a continuous exchange of young workers between its member countries.

The first common programme to promote work exchanges between young people in different member countries started on January 1, 1965. Germans working in France have made up the largest single group of young migrants in the Six. They constitute more than a third of the total number of workers exchanged under the programme. France is the most popular host country, welcoming more than half of all the young exchange workers.

The Commission, however, is not satisfied with the seemingly adequate results of the first programme and is preparing proposals to intensify and improve it.

How to tackle redundancies - Commission report

A report on regulations governing the dismissal of workers in the member states has just been submitted to the Council by the European Commission. The Commission remarks that owing to the growing interdependence of the European labour markets and the current structural changes in companies resulting from the operation of the Common Market, it is less and less justifiable in the field of labour law to apply different regulations leading to different results in comparable situations. The Commission therefore proposes to initiate a discussion on several aspects of the question and suggests possible bases for discussion on each of them. They are:

- reasons for dismissal: at the very minimum, the employer should have to justify the dismissal and inform the worker in writing of his reasons, so that if necessary an objective assessment can be made in court;
- period of notice: notice should be a minimum of six weeks, increasing with age (and also length of service) to, say, 3 months at age 40 and 6 months at 50.

- compensation and assistance: apart from long-service bonuses, coordination of the many other types of payment - company schemes, state aid, Community aid (EEC and ECSC) - should be considered;
- the role of unions and government: employers should be required to provide workers' representatives with detailed documents on redundancy matters. Particularly in the case of mass dismissals, government action may be appropriate;
- protection of workers: elderly or handicapped workers could be protected by obliging employers to take on a certain proportion of them and by making their dismissals subject to authorization by an appropriate body. Workers' representatives should also be afforded increased protection;
- mass redundancies: as a measure to combat unemployment, employment policy may require special arrangements in the event of mass dismissals. Harmonization of legislation in this field would be even more valuable than in relation to individual dismissals. The Commission suggests definitions for mass dismissals which could automatically trigger control measures on the employment market. Workers' representatives should be informed of such redundancies in good time and have the right to negotiate on preventive measures and severance procedures.
- continuity of employment: dismissals cannot be prevented entirely, and care should be devoted to ensuring that when redundancies are unavoidable the worker can rely on speedy transfer to a new job of an equivalent standard. This means a selective policy of job promotion by structural measures in the regions, and better vocational training.

Help for handicapped workers of the EEC

The European Commission is working on a proposal to create an information clearing house to help improve rehabilitation of the physically and mentally handicapped residing in the member states. Around 12 million people - 15% of the Community's working population and the equivalent of the whole population of the Netherlands - fall into this category, which provides the Community with one of its gravest social problems. To help establish a research programme to be submitted to the Council in association with the Coal and Steel Community, the Commission has sent a questionnaire to member states asking both what they are already doing in this field and what they propose to do in the future.

The Commission is particularly concerned with finding an effective way of linking the medical stage of rehabilitation with practical retraining and re-employment. This, it thinks, would help to improve the present precarious employment status of handicapped workers and give them a better chance of full reintegration into working life.

These hopes are reinforced by current developments in therapy. Experts now reckon that up to 80% of handicapped workers could re-establish themselves as fully active members of society if all the resources of modern rehabilitation were put at their disposal.

Plan to draw investors to poorer regions

The Commission in June proposed the creation of a Community regional development company, to complement the proposed regional development fund.

The Community would hold shares in the company, which would seek to attract investors to needy regions by providing them with information and technical aid. The company could acquire minority, and temporary, holdings in medium-sized firms set up in priority regions.

At the same time the Commission reaffirmed the need for a common regional policy, for Community funds to carry it out, and for the coordination of national policies through a standing committee for regional development. It also once more urged the Council to take early decisions on the group of proposals submitted in October 1969 and May 1971 on how the European Agricultural Fund could be used from 1972 to attract industry into poorer farming regions, and on the creation of either a regional development fund, or another system, whereby Community resources would be used to stimulate industrial growth in depressed areas.

In the Commission's view these two funds remain the basic means for tackling the Community's regional problems.

Regional trends

A recent Commission study entitled *Regional trends in the Community - analytical survey(1)* gives a picture of the economic development in 20 geographical areas and 100 regions of the Community from 1957 to 1969.

The following general points emerge:

- industry and population have shown little growth in the richest regions;

(1) 315 pages; French text; available from HMSO.

- particularly dense industrial concentration in northern France, Lorraine, Ruhr, Brunswick, northern Franconia, Benelux and Lombardy;
- drop in the number of farmers from 30 million in 1950 to 11.5 million in 1968;
- increase in industrial workers from 26 million in 1950 to 31 million in 1960, since when the number has levelled off;
- increase in jobs in the services sector from 25 million in 1950 to 30 million in 1968. Some 30 per cent of the working population were employed in services in 1950, while in 1968 the Community average was 42 per cent made up as follows: Netherlands 52 per cent, Belgium 51 per cent, Luxembourg 44 per cent, France 44 per cent, Germany 42 per cent, Italy 37 per cent.

Population distribution (1969)

Regions	Inhabitants (millions)	% of population
Agricultural	47.8	25.3
Semi-industrialized	59.0	31.3
Industrial	81.9	43.3

The population density is greatest in the Paris region (705 inhabitants per square kilometre) but the concentration is greatest in the north west of the EEC area where 33 million people (20 per cent of the total population) live on 6.5 per cent of the EEC territory with an average density of 492 inhabitants per square kilometre.

Employment: The share of farming in total employment has declined sharply in the past ten years. In 1968 Italy and France still had a large proportion of persons employed in agriculture (22 per cent for Italy, 15.7 per cent for France); these proportions had been very much higher in 1950 (44 per cent for Italy and 27.6 for France). In the other Community countries the percentages of the working population engaged in farming in 1968 were only 11.2 per cent in Luxembourg (25.9 per cent in 1950), 9.8 per cent in Germany (22.1 per cent), 6.1 per cent in the Netherlands (12.6 per cent), and 6 per cent in Belgium (22 per cent). The average for the Community as a whole is 15 per cent.

The farming areas are mainly found in the peripheral regions of the Community: 11 regions in the west of France, 13 regions in the south and east of Italy and four regions in the north of the Netherlands and Germany.

In 1960 the industrial sector employed 42.7 per cent of the working population and this figure has remained more or less constant. In 1950 most of the industrial regions were concentrated in three geographical areas: from the north of France to Brunswick through Benelux and the Ruhr, from Lorraine to lower Franconia and in Lombardy. By 1968, these three regions had merged to form a wide strip of territory running from the north of France along the Rhine to Lombardy. Services accounted for 42.1 per cent of the working population in 1968 against 32.8 per cent in 1950, but there are considerable differences between the Netherlands, where the proportion is as high as 52 per cent, and Italy, where it barely exceeds 37 per cent. Between these two extremes come Belgium (50.5 per cent), Luxembourg (43.9 per cent), France (43.8 per cent) and Germany (41.5 per cent).

In 1950, the difference between the Netherlands (45 per cent) and Italy (26.6 per cent) was even wider.

<u>Regional development</u>: In Germany the gap between rich and poor regions narrowed between 1957 and 1966. The traditional industrial regions recorded a lower growth rate than other regions, especially Hesse, Upper Bavaria and Lunneburg.

In France, the gap between the Paris region and the other regions widened between 1962 and 1966. In the country as a whole there was a slight increase in the margin between rich and poor regions.

In Italy the gap narrowed from 1957 to 1966, but this was due to a slowing down of expansion in the industrial regions rather than a faster rate of development in the poorer regions.

In Belgium, between 1957 and 1966, the poorest region in the south of the country had a development rate lower than the national average, so that it fell even further behind the north and especially the Antwerp region.

In the Netherlands the gap widened from 1960 to 1965 between North Brabant, the richest region, and Zeeland, the poorest.

Luxembourg, which is a single region, recorded a fairly low growth rate from 1960 to 1969.

Commission proposes environmental research and development programme

Environmental research projects costing at least 16 million u/a(1) up to 1975 have been suggested to the Council of Ministers by the European Commission. The projects, to be undertaken at Community level, would in the first instance concern air pollution and noise on the one hand, and water supplies on the other. Forming part of the common policy for scientific research and technological development as a whole, the studies would also provide direct support for Community policy on the environment.

I. Pollution and noise: The Commission is proposing eight areas of study with the aim of reaching "an objective assessment of the hazards stemming from pollution". To supplement existing national activities, the creation of a data bank on chemical substances liable to contaminate the environment could help in assessing hazards and drawing up new regulations for their control. The Community's Joint Research Centre would take part in these activities. Research on the noxiousness of lead in the atmosphere has already been undertaken jointly by the Commission and national experts, and various improvements in research methods are being taken into consideration. Work on the problem of cooling-water discharge from both conventional and nuclear power plants should include a computer code to predict thermal loads on the Community's hydrographic network, studies of the environmental consequences of different cooling methods and an assessment of the effects of raising water temperatures with a view to setting guide values.

Community-wide analytical epidemiological surveys of the effects of air and water pollution on health would, the Commission says, provide a basis for more extensive observations than are at present possible, whilst the development of a set of tests based on modern biological techniques will be required for effective studies of the effects on man of micropollutants in air and water. An assessment of the ecological effects of water pollutants - certain heavy metals, detergents and pesticides for a start - is also essential for the formulation of standards.

Research on noise pollution should aim to establish precise measurements of the physiological and psychological effects of noise on man. Systematic study of traffic noise would enable common recommendations to be issued on the subject of traffic regulations and road conditions.

(1) Unit of account = US dollar at pre-1971 exchange rate.

Work on marine pollution, meanwhile, would seek to establish exactly what happens when industrial and domestic waste is pumped into the waters of the Continental shelf.

Two further projects are aimed at improving the detection and control of pollutants: the development of remote sensing of atmospheric pollution and the construction of a large physical model of the diffusion of atmospheric pollutants. The latter could be a great help in deciding on industrial or power plant locations.

The Commission programme also features possible R & D work on desulphurization processes and studies on the R & D needs of various industrial sectors in accordance with the environmental programme already submitted.

II. Water supplies: The water supply is a major social problem for the public authorities; demand for good quality water is constantly growing whilst resources are dwindling in quantity and deteriorating in quality. But before a Community programme can be established, soundings have to be taken on the state of research into the most promising and economically feasible water-purification systems. The Commission is therefore proposing to contribute to the financing of multinational group contracts for a series of studies in the fields of basic and applied water-purification research.

The cost of pollution

The Commission is instituting studies into how the cost of pollution can be measured, and has set up a working group of national experts to do an analysis of all the various estimates which have been made in the member and applicant states. So far these estimates relate mainly to the costs in public and private investment. Much more difficult is to estimate the social cost of pollution, and very little has been done so far. The Commission intends therefore to commission a special study which will aim to ascertain the extent to which social costs are measurable, and recommend methods and criteria for calculating them.

State aid to the coal industry in 1972 (summary of a memorandum of the Commission)

The financial aid allocated to the coal industry by member states for 1972 does not constitute an obstacle to the proper functioning of the common market in coal, concludes a memorandum recently adopted by the Commission.

The Community coal market fell to 185.6 million tons in 1971, i.e., 9.2 million tons less than in 1970. There will be a further fall of an estimated 9.5 million tons in 1972. As a result of the reduced coal consumption, Community coal imports from non-member countries fell from 31.2 million tons in 1970 to 28 million tons in 1971. It is expected that in 1972 coal imports will amount to about 26.3 million tons and that there will be a further increase in pithead stocks. The building-up of these stocks, which had fallen to a minimum in 1970, is up to a certain point an important factor in promoting security and increased flexibility of supplies in the Community. In West Germany, on the other hand, stocks will become so large in 1972 that a cutback in production will be necessary.

The present situation of the coal industry must be considered difficult. The prices of imported coal and fuel oil fell slightly in the second half of 1971, so that the Community coal industry has been unable to continue stepping up its earnings in order to offset increased costs, due mainly to wages rising faster than productivity.

The total aid to the industry represents a decrease of 5.3% on 1971.

Total direct and indirect aid
(Community as a whole, $ millions)

	1969	1970	1971	1972
Direct aid	427.7	332.4	380.1	329.6
Aid to coking coal	74.2	87.4	53.7	69.4
Indirect aid	98.4	84.3	91.9	98.7
Totals	600.3	504.1	525.7	497.7
Increase or decrease over previous year	-1.1%	-16.0%	+4.3%	-5.3%
Aid per ton produced (in $)	3.40	2.96	3.18	3.21

Total aid broken down by country
($ millions)

West Germany	94.4
Belgium	60.1
France	160.4
Netherlands	14.7
Total	329.6

Consumers in the EEC

In all countries consumers are ill-organized and underrepresented compared with those who have something to sell, be it goods, services or labour. It is then not surprising if this is also true at the Community level - though it is regrettable. A Consumers' Contact Committee, set up in 1962 at the Commission's initiative, and linking together the Cooperative Movement, the consumer testing organizations and the trade unions of the Six. Unfortunately it collapsed at the end of last year.

Pressures are now building up to create a new consumers' body in Brussels. Commission member Albert Borschette, in the September issue of "European Community"*(1)*, writes: " I hope the consumers of the enlarged Community will soon set up a powerful central organization to defend their interests at Community level ... A comprehensive, coherent consumers policy remains indispensable. And whatever form that policy takes when it is finally established with the member governments, it must look beyond simple price relations. The problem of consumption is bigger than that. It concerns our health, our well-being and the quality of our lives."

Writing in the same issue of "European Community", Astrid Lulling, member of the Luxembourg and European Parliaments, and also secretary of the European Federation of Agricultural Workers' Unions in the Community, calls for greater Commission activity. She urges particularly that the Commission should expand its surveys into price differences in the various parts of the Community and actively publicize the results. She also suggests there ought to be a special consumers' Ombudsman in each country, based in the Commission's information offices who would report complaints back to the Commission.

The unions and cooperatives are also urging action. In a

(1) "European Community", the Commission's monthly information magazine, has a special feature on consumer questions in its September 1972 issue.

joint statement issued in June the European Confederation of Free Trade Unions in the Community, the European Organization of the World Confederation of Labour and the European Community of Consumer Cooperatives (Euro-Coop) call for the creation within the Commission of a special Directorate-General for Consumer Affairs.

The EEC and the shopper

Household expenditure in the Common Market countries, measured at current prices, has tripled between 1959 and 1971. At constant prices, it has doubled.

According to figures provided by national governments, and allowing for increases in population, domestic consumption over the period has risen by 72 per cent, measured at constant prices.

There are still substantial differences in retail prices between one country and another. These can be explained partly by differences in levels of indirect taxes and partly by the selling policies of companies, which set different prices in each national market.

The two factors give rise to considerable price differences for comparable products. When tax is deducted, some levelling out of the spread of prices result. In the following tables, prices are expressed as percentages of the lowest.

Radio sets

Country	Tax (%)	Typical price inc. tax	Typical price exc. tax
Germany	11	100	100
France	33.3	167	139
Italy	9.5	155	157
Netherlands	12	129	128
Belgium	31	143	121
Luxembourg	8	111	114

Washing up liquid
(545 gr. plastic bottle)

Country	Tax (%)	Price inc. tax	Price exc. tax
Germany	11	203	201
France	23	183	162
Italy	8.5	100	100
Netherlands	4	107	111
Belgium	13	220	190
Luxembourg	8	230	232

Regrigerator
(popular make)

Country	Tax (%)	Price inc. tax	Price exc. tax
Germany	11	100	100
France	23	132	119
Italy	9.5	103	104
Netherlands	12	120	119
Belgium	21.5	112	102
Luxembourg	8	118	122

The swing to self-service: In every EEC country except Italy, rationalization has led to a reduction in sales outlets, particularly in the case of food. This is accompanied in all countries by a growth of modern self-service stores, although there are considerable differences between the six countries.

At the beginning of 1971 the numbers of self-service food shops per million population were:

Germany	1403
Netherlands	665
France	430
Belgium	315
Italy	27

Supermarkets and hypermarkets per million population were:

Germany	48.4
Netherlands	41
France	38.4
Belgium	50.2
Italy	9.9

In Germany, where self-service has made greatest progress, 80% of food sales are from self-service stores. Corresponding percentages in other countries are approximately 60 to 65% in the Netherlands, 50% in Belgium, 30% in France and 5% in Italy.

Higher concentration, stronger competition in the European car industry

Concentration in the Community automobile industry increased by 3.8% in 1968-69, five manufacturers accounting for a total of 70.2% of the 5,080,253 new registrations in the Common Market. Nonetheless, as a result of various factors including growing economic interpenetration, the car market in Europe appears to be getting more competitive. These are some of the facts which emerge from a study on the figures for the degree of concentration and their application to the Community motor industry*(1)* put out earlier this year by the EEC.

The study shows that over the period 1967-1969, the number of private vehicles registered in the Community went up by almost 20%, the largest, though declining, share going to Fiat. The market share table for 1969 shows Fiat with 23% followed by VW/Audi/NSU (15.5% and rising), Renault (11.5%), Opel (11%), Ford (10%) and Citroen (6%). Despite large-scale concentration in the UK car industry, BLMC/Innocenti's share of the EEC market had fallen in the same year to around 2.4%.

(1) Les indices de concentration et leur application concrète au secteur de l'automobile dans la Communauté. Published by the Commission in its Studies series, No. 17, 1971.

In the same period, concentration increased overall, with increases in West Germany and Benelux counteracting opposite tendencies in France and Italy. At the same time, the car market in the various countries appears to have become more competitive, particularly in the Benelux countries, where concentration remains at very low levels. In France and West Germany there is an average level of concentration, whilst in Italy Fiat continues to dominate, although its hold appears to be weakening.

Help for British steelworkers?

A parliamentary question in the European Parliament earlier this year from French Socialist MP, Georges Spénale asked the Commission if it had been informed of British Steel's plans to cut its workforce by 75,000 during the period up to 1975.

In its reply the Commission stressed that coal and steel workers in Britain and the other new member countries would of course benefit from the European Coal and Steel Community's special fund for helping workers threatened with redundancy, just as happens in the present member countries.

The ECSC fund has up to the end of 1971 paid for the retraining and resettlement of over 440,000 miners and steel workers, and paid their wages while retraining or waiting for another job at levels of 80-100% of previous wage. It can also make up, for two years, any difference between the previous wage level and that in the new employment, if the latter is lower. So far $333 million has been spent, split 50-50 between the Community and the governments concerned.

The European Social Fund provides similar assistance under the EEC Treaty (which covers all other industries). The Fund has now been revised and enlarged and in its new form became operational on May 15. A total of $97.5 million will be available this year to help retrain industrial workers.

Ultimately, it is hoped to increase the Fund's budget to $250 million a year. The Fund will now be able to make money available for retraining programmes in anticipation of expected changes in industry.

In addition to the funds, the Community is also able under the ECSC Treaty rules to provide money to attract other industry into coal and steel areas so as to provide new jobs. Up to March 1972 $1,185 million had been made available to help modernize existing facilities and bring in new industry.

European Investment Bank

Over $500 million of loans and guarantees were granted by the EIB during 1971, says the Bank's annual report published in June. This was a huge 42% increase of the previous year. Over its 14-year existence since 1958, the Bank has made available in all $2,315 million.

The EIB, established by Articles 129 and 130 of the Rome Treaty, provides loan capital for new investment projects in the Community's development regions and for projects which are of interest to more than one member country, such as cross-frontier communication networks. It can also lend money for investment in the developing countries which are associated with the Community. The Bank uses its own resources, which are subscribed by the member governments, and borrows on the international capital markets, to lend, at market rates of interest, to both public authorities and companies undertaking development projects.

Of the $2,315 million made available since 1958, $1,949, or 84.2%, went within the Six, and $366 m. in the associated developing countries. Over half of the money, 56.3%, went on helping create new infrastructures (above all in transport, telecommunications and electricity supply). 40.6% went to new industry moving into development areas, and the remainder went to the service sector. Within the Six 51.7% of the loans and guarantees granted went to Italy, mainly to the South.

Towards a European film policy

The next steps towards a Community policy on financial aids to the different national film industries were discussed by EEC officials and trade unionists at an April information meeting organized by the European Commission for the European Union of Film and Television Workers. Community officials stressed the need for all sides of the industry to press for a start on the harmonization of national film support measures, thus bringing them into line with the requirements of the Treaty of Rome. The relationship of bilateral co-production treaties to an overall European policy was discussed, and the meeting also explored the question of free movement of capital and the harmonization of taxation systems.

EO-WCL Second Congress

The Second Congress of the European Organization of the World Confederation of Labour, held in Luxembourg in May, adopted new statutes and a number of important resolutions on the future development of the European Communities. Some 250 delegates attended the congress, plus a number of official guests, including Commission Member Albert Borschette and representatives of organizations affiliated to the International Confederation of Free Trade Unions.

Both the general resolution and a resolution dealing with "Elements in the construction of a Social Europe" are closely concerned with the present state of the EEC. In the former, welcoming the enlargement of the Community as a "positive event" which should be a factor in making Europe more democratic, the EO-WCL comes out in favour of a profound reform of European institutions, notably by strengthening the European Parliament and the Economic and Social Committee, giving back to the Commission its role of initiator and creating a direct system of consultation by EEC authorities of the trade union movement. It also declares that social policy should be both "the motor and the goal" of economic and monetary union, progress towards which is essential for the Community's further development.

The Congress was also asked to approve the basic idea of a unitarian trade union structure at European level and to authorize the opening of discussions with representatives of the proposed new European Confederation of Free Trade Unions. The resolution declares that "the way to a unified trade union structure at European level lies first of all through an agreement between the organizations affiliated to the WCL and the ICFTU in Europe ... Congress considers that the trade union movement must lose no time in beginning a fundamental discussion on the contents, forms and means" of such a structure, "with a view to reaching a decision by the end of this year."

The "Elements in the construction of a social Europe" resolution is divided into three sections: A European labour policy, Policy with regard to the enterprise (concentration and industrial democracy), Policy in matters of income sharing. In it, the Congress confirms its rejection of "the neo-capitalist, technocratic and anonymous system existing and developing in Europe. It refuses integration in this system and strives, on the contrary, to replace this system by an economy satisfying actual needs, offering services and equal chances".

• Trade unions discuss immigration

There are now eight million immigrant workers in the industrialized countries of Europe (3.8 million in the Community). Their problems and how to deal with them formed the agenda of a trade union conference in Belgrade last April, which brought together 26 organizations from 15 European and North African countries. (The poor countries around the Mediterranean are the main sources of foreign labour in continental Europe). Main difficulties identified for the immigrants themselves were reception arrangements; working and living conditions, particularly housing; the application of international and bilateral agreements on labour and social security; and problems raised by the immigration of the workers' families (schooling, for example). Whilst these were questions which had to be followed up, the conference agreed that the most important issue of all was the relationship between the rich (labour-importing) and the poor (labour-exporting) countries and the need for the latter to hoist themselves out of the under-developed phase. At the end of the meeting, a committee composed of representatives of the UGTA (Algeria), DGB (Germany), CFDT (France), CGIL-CISL-UIL (Italy), LO (Sweden) and CSY (Yugoslavia) was set up to prepare a second conference to explore the whole matter further.

European trade union editors' conference

At a conference held from 1 to 3 June in Hamburg, trade union editors requested a radical improvement in the supply of information on the activities of the European Confederation of Free Trade Unions and in reciprocal information about trade union activities in different European countries in the Community. They urged the ECFTU Executive Committee to strengthen the organization's information service in view of the need to increase the awareness of trade union members throughout Europe of decisions which ultimately affect them directly.

Public Service Unions meet

The newly created European Advisory Committee of the Public Service International (PSI) met in London on 19 and 20 April. Twenty-seven delegates and four observers represented 21 unions in 11 countries with a total membership of 1,800,000.

The Committee first discussed its own composition and terms of reference and decided that each European affiliate should be entitled to send one delegate whose expenses would be borne by the union itself. The Committee would meet once a year. It would institute a programme for the continual exchange of information and decide on subjects for research and discussion at its meetings. It would cooperate closely with other ITSs in the public service field as well as with bodies like the OECD, ECFTU, etc. Its decision would be subject to ratification by the Executive Committee.

The Committee gave priority to the discussion of industrial democracy in all its aspects, and after that to studies on the broader aspects of training, remuneration structures and principles and, finally, methods of management, the extension of the public services and their financing.

EMF's fourth round of Philips talks

Leaders of the European Metalworkers' Federation (EMF) met the chairman of Philips in May for the fourth round of talks on social aspects of the company's activities. They discussed the company's financial performance and future prospects, and Philips confirmed that any large-scale shifts of production from one country to another would be the subject of prior notification to the unions. During April and May, EMF representatives had similar talks with the managements of Fokker/VFW (aerospace) and Europemballage (packaging).

Joint trade union federation in Italy

Stopping short of complete unity, unattainable on the terms and within the time limits previously agreed, the three main Italian trade union confederations decided in July 1972 to set up a joint federation to ensure unity of action on a wide range of subjects. The organizations involved are the WFTU-affiliated CGIL (3½ million members) and the CISL (2½m.) and UIL (800,000), both ICFTU affiliated; their new joint body will take care of such matters as collective bargaining policy, economic and social policy and long-term planning. The executive organs of the federation will be a 90-strong Directorate (30 members for each of the constituent confederations) and a Federal Bureau of 15, including the three general secretaries. Decisions will be taken by a four-fifths majority.

The federation formula allows the three organizations to keep their separate identities and thus avoids a number of obstacles barring the path towards full unity, particularly that of international affiliation. The compromise agreed means that the CISL, UIL and CGIL will maintain their present links with the International Confederation of Free Trade Unions (Socialist) in the case of the first two and the World Federation of Trade Unions (Communist) in the latter.

CGT Congress

A minimum wage of 1000 francs a month (about £90 at present exchange rates) and a lowering of the retiring age to 60 were the main aims put forward by the French General Confederation of Labour (CGT, Communist) at its 38th Congress at Nimes in April.

Taking up the question of European trade union unity, the report reiterated the CGT belief that "conditions exist for wide agreement and fruitful cooperation among the unions in Western Europe." General Secretary Georges Séguy suggested that this cooperation could be given concrete shape in the form of "a standing body, open to all trade union centres of Western Europe without distinction as to their national or international affiliations ... We share the opinion of those who think that a European trade union conference capable of bringing together all centres ... would greatly contribute to the necessary rapprochements".

On international questions, the CGT came out firmly in favour of a "no" to President Pompidou's European referendum.

Danish and Norwegian trade unions vote for Europe

By a vote of 524 to 406, the Danish Federation of Trade Unions (LO) decided at a special congress on May 18 in favour of Denmark's membership of the Common Market on the terms negotiated. In a lengthy resolution summing up the economic and political advantages which the LO sees in joining the EEC, the congress added: "In all its activities the trade union movement attaches fundamental importance to increasing the international solidarity of the labour movement. The fight for better wages and conditions of work and for the democratisation of industry cannot be carried on in one country only, but requires close trade union cooperation across frontiers. This applies in particular to the possibilities of gaining control and direction of the multinational companies, which is today more needed than ever before.

"With the increasing mutual economic dependence of nations ... an ever growing number of problems of vital importance to the individual can only be solved in common with other nations ...

"Congress considers Denmark's participation in enlarged cooperation within the EEC and a strengthening of trade union cooperation across frontiers to be the best basis of a solution to these problems and thereby of a further development of society in conformity with the fundamental interests of the labour movement".

Shortly afterwards, at its special congress on June 2 and 3, the Norwegian LO took a similar decision, though by a larger majority: 230 to 81.

The Norwegian unions base their support for entry on the fear that outside the Community Norway would be unable to maintain the economic growth necessary to finance increased wages and expenditure on housing, social services and so on. They stress that the economies of Western Europe are already so closely interlinked that only very close cooperation between the different states can hope to secure full employment, balanced growth and the control of business cycles. The control of capital is today not possible by any one nation alone but requires international action. The same is true if countries are to tackle the problems of environmental control.

Nordic trade-union secretariat formed

The executives of the Nordic trade union secretariat representing some 4.7 million workers in the Nordic countries - Sweden, Denmark, Norway and Finland - affiliated to the International Confederation of Free Trade Unions had their first meeting late in June in Copenhagen. The main objective of the secretariat is to establish a common approach to social, economic and political problems facing the Nordic trade union movements, particularly with regard to the inter-governmental Nordic Council which, over the years, has initiated legislation covering such areas as the free flow of labour and common coverage of social benefits for the workers in these four countries. The Nordic trade union secretariat will also deal with matters pertaining to international organizations, the European Economic Community, as well as to the United Nations and its specialized agencies.

Thomas Nielsen, President of the Danish trade union confederation LO, was elected Chairman of the secretariat's Executive; Lennart Bodstrom, President of the Swedish white collar workers' federation TCO, was elected Vice-Chairman, and John Svenningsen, International Secretary of the Danish trade union confederation, was elected Head of the secretariat, the headquarters of which is in Stockholm.

EUROPEAN AEROSPACE INDUSTRIES

The aerospace market

In 1970 the European aerospace industries held only 9.5% of the market in the Western world (5.7% being accounted for by the UK alone). The remaining 90.5% were in the hands of US manufacturers. The aerospace industries of the Six occupy only 15.2% of the Community market and those of the UK 1.4%, the preponderant percentage being taken up by UK equipment (83.4%). The proportion of the US market accounted for by Community and UK equipment is insignificant (2.1%).

The following table shows the relationships between the relative size of the various markets and the place occupied on the market of the Western world by the products of the various industries:

	Size of the market of the different countries as compared with the Western market (%)	Place occupied on the market of the Western world by the industries of the various countries (%)
EEC + UK	14.7	9.5
Other European countries	6.3	-
All W.Europe	21.0	9.5
US	63.9	90.5
Rest of Western world	15.1	-
Western world	100.0	100.0

In 1968 intra-Community trade in aerospace equipment totalled about $200 million. This level must be considered low, since extra-Community trade totalled about $600 million (the Community market is completely open to external competition, since the customs duty on aircraft of over 15 tons is suspended up to 1 January 1973, whereas the US apply a 5% duty and the UK 7%).

While the level of exports from the Community and the UK to non-member countries is far from negligible in relation to their turnover (in 1968 exports represented 23% of the turnover of Community aerospace firms and 43% of that of UK firms), in absolute figures the European exports in 1968 (Community and UK) totalled only $1,000 million, as against US exports of $2,700 million.

The Community has a permanent negative external trade balance in aerospace products which averaged $153 million in 1964-68. But the two principal European producer countries (UK and France)show a positive balance ($665 million in 1970 as compared with the positive US balance of $3,092 million).

The structure of the European aerospace industries

In Europe the last twenty years have witnessed a series of concentrations, usually within national frontiers: in the Community the number of airframe manufacturers fell from 12 to three in West Germany in 1963-70 and from five to two in France in 1952-70; in Italy there are still five groups, one of which is much larger than the others and is the result of concentration. In the UK the number of aircraft manufacturers fell from 16 to four in 1959-61. In the aeroengine industry only one large firm remains in West Germany, two in France and three in Italy, which operate partly under licence. In 1966 almost the whole of the UK aeroengine production potential was concentrated on Rolls Royce.

The European aerospace industry is more concentrated than that of the US: the five biggest firms in the enlarged Community account for 60.4% of the total European turnover (as against 52.5% for the five first firms in the US), and the ten first European firms for 85.1% (as against 79.2% for the first ten US firms). However, it is the comparative size of the firms rather than the degree of concentration which indicates the limitations of the European industry's potential: the mean turnover in 1969-70 of the five first European firms is $455 million, as against $2,392 million for the first five US firms. The average size of the first five firms is thus 5.2 times greater in the US, and that of the next five 6.5 times greater.

The average Community turnover for 1967-70 was 7.8% of that of the US, and the UK turnover 5.9%. Thus the enlarged Community will have a turnover equal to 13.7% of that of the US. A slight improvement in the turnover of the enlarged Community with respect to that of the US is, however, noticeable, since it rose from 12.7% in 1960-61 to 14.8% in 1969-70.

R & D expenditure

The civil R & D expenditure of three European countries (France, UK and West Germany) is relatively high, totalling 35.7% of the corresponding figure for the US.

In France and the UK, expenditure on civil R & D (from public and private sources) in 1969 was 39% of the civil turnover; this is somewhat higher than the US figure - 32%; in absolute value, however, the French and UK industries spent only $450 million, as against $1,457 for the US.

Since only some of the civil programmes are implemented on a cooperative basis by the two countries, it may be considered that except for Concorde the funds available for each civil programme in France and the UK are well below US spending.

However, the considerable volume of aid granted by the state to civil R & D should be noted (in 1970, $180 million in France, $192 in the UK and $52 million in West Germany).

The critical factor in every aerospace programme is the amortization of capital costs, since, in order to absorb these, it is necessary to produce sufficiently large series. However, it has been found that the average production run of civil aircraft built in Europe in 1955-68 was 138 units as against 492 in the US.

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The oil industry in the European Community and the United Kingdom

Oil is one of the most vital requirements of a modern economy. Oil and its derivatives have a wide range of uses and applications. Demands for energy are met in part by oil, whilst it also maintains the transport system and supplies much of the need for plastics, chemicals and artificial fibres. In 1969 about two tons of petroleum were consumed in the Community and the United Kingdom for each inhabitant. The demand is not only large but also it is growing at a rate of about 8 to 10 per cent per annum.

To meet this demand, a complex network of supply areas, transportation, refining and distribution has been evolved. The operation and maintenance of these networks is a large undertaking and not surprisingly, is in the hands of some of the largest international companies in the world. However, the oil industry is not without its problems and the two gravest threats it faces are, in the long term, exhaustion of the world's oil reserves, and in the short term, the pollution and despoilation of the environment by oil products.

Growth of demand

The demand for oil in the economies of the Common Market countries and the United Kingdom has been continually expanding since the war. The increase has been spectacular at times, and has consistently been greater than predicted. Expansion of oil consumption has also been even faster than economic growth. The patterns of consumption show the ways in which oil has become a major industry, both by winning new markets for oil products and by the expansion of existing markets.

In 1955—i.e. when the European economies had returned to normal, following their war-time dislocation—, crude oil consumption in the European Community of the Six stood at 70 million tons. The United Kingdom, at this time, was consuming a further 28 million tons. Demand grew steadily during the late 1950s, at an average rate of between 12 and 15 per cent annually, both in the Community and in Britain. The period between 1960 and 1965 saw a massive upsurge of demand within the Common Market, with oil consumption more than doubling to reach a level of 243.7 million tons in 1965. Britain, by contrast, did not experience such a buoyant demand and consumption grew at a rate of only 45 per cent during the same period to reach 66.1 million tons. The later 1960s have seen a further sustained growth of demand at around 8 to 10 per cent annually. In 1969 the Community's crude oil consumption was 372.3 million tons and that of the United Kingdom 93.7 million tons, which was greater than that of the six Community countries in 1955.

Demand for oil is expected to rise still further. Indeed, future problems are not in finding markets for oil but in finding enough reserves to meet predicted demands. Although within the decade 1960-1969 the Common Market's oil consumption had risen by the spectacular figure of 210 per cent, more oil is likely to be used in the next decade than in the last ninety years.

Three events have largely caused the expansion of oil consumption since the war. First, the period in general has been one of prosperity and a high level of economic activity. In these circumstances, it is hardly surprising that the demand for such a basic requirement as oil has increased apace.

Secondly, oil has found a great variety of new uses in the economy in the post-war period. These have focused upon oil as a raw material, rather than the older uses as a fuel. Thus the supply of feedstocks to the petro-chemical industry has become an important function of oil. Oil is now a raw material of products as diverse as synthetic rubber, artificial fabrics, plastics and fertilizers. Within the Community, petro-chemical consumption alone has risen threefold between 1958 and 1968. As fuel, oil has also found greatly expanded uses. Convenience and cleanliness in handling and operation have helped to make its use as a domestic heating agent widespread. Developments in technology have permitted oil to replace coal in blast furnaces in pig-iron manufacture.

Thirdly, in its traditional field as a fuel, oil has also experienced rapidly increasing demand. The large rise in the number of private cars has seen an enormous growth of demand for petrol, and the expansion of commercial aviation has provided a growing market. The decline of railways as the prime transport medium has seen an increased demand for diesel fuels for heavy road vehicles. On the railways themselves, oil has been in demand following the almost total demise of the steam locomotive.

Much of the growth of demand for oil has come from a substitution of oil for coal. This has occurred in a variety of fields, but especially in the production of secondary sources of energy. Oil has been replacing coal as the chief fuel in electricity power-stations, both in the Common Market countries and in Britain. The reasons for the success of oil in competition with coal are several. Oil is relatively richer as a fuel (1 ton of oil is the thermal equivalent of about 1.34 tons of coal). Oil is cleaner, more convenient and more easily stored. Above all, for many years, the price of oil in Europe fell relative to that of other fuels, owing especially to economies of scale in transport (new large-capacity pipelines and giant tankers). With coal becoming increasingly more costly to mine, oil had little trouble in becoming such a strong competitor.

The impact of oil's competitive edge is best seen in its dominating share of primary energy consumption. Within the Community, oil accounted for 61.7 per cent of the primary energy used in 1969, and coal and solid fuels for only 29 per cent. In the United Kingdom the competitive position of oil has been tempered by the imposition of an excise duty of 1 p. per gallon. This duty has been intended to give a degree of protection to coal. The share of oil in the energy economy, 47 per cent, is the lowest in western Europe, and coal has retained a share of 48.5 per cent of primary energy consumption.

Recent substantial rises in crude-oil costs, however, and the relative insecurity of oil supplies, as the oil-producing countries organised themselves into a producers' association (OPEC) have turned attention to some extent back to coal.

Oil consumption

The present pattern of oil consumption is the result of two decades of technological advance, in which a variety of new uses have been found. Oil is not one single commodity; the refinery process produces many oil derivatives suitable for marketing. Although most of the oil consumed is in only three forms, the sectors in which it is finally used are many, and testify to the role of oil at the heart of a modern economy.

Oil refining is basically a process whereby crude oil is split into a variety of liquids and gases, ranging from the heavier products such as bitumen and pitch to the lighter spirits such as aviation fuels and petroleum gas. Crude oil is heated and at different temperatures differing vapours are given off, collected and then condensed. Although all crude oil will yield this full range of products, oil from various fields gives slightly differing quantities of each derivative. The maintenance of a balanced demand for all of these products has long been a problem. At the present time, less than 1 per cent of the crude oil input is lost or discarded as waste in refining.

Three types of oil product account for 86 per cent of refined petroleum production. The largest of the three is fuel oil, which is used as a fuel in boilers for heating and generating electricity. Diesel oil and motor gasoline show how the supply of fuels for the internal combustion engine is such a vital function for the industry. Aviation fuels are a small part of refined oil consumption. Naphthas were, until recently, usually waste products from oil refineries, but the oil gasification process of producing town-gas, using naphthas as a raw material, is cheaper than the gasification of coal. In Britain, within a decade of its introduction, it accounted for nearly 71 per cent of all gas production.

Oil has come to be the chief element in the primary energy supply of the European Community, and the energy sector is the largest consumer of oil and products, accounting for 28.1 per cent of oil consumption in 1970. Industry and transport also each consume about the same amount of oil. Although not a large user of oil, the petro-chemical industry accounts for about 9 per cent of final consumption. The pattern of demand in the United Kingdom is largely the same as in the Common Market.

The structure of the industry

Two features stand out about the structure of the oil industry. The first is the vast size of the companies—some of the largest in the world—and the second is the high degree of vertical integration commonly found. The typical company is active at all levels of the industry from exploration and production through transportation and refining to final marketing of petroleum products. Within this large-scale industry, seven companies, commonly called the "majors" stand pre-eminent. Together, the majors produce nearly 80 per cent of the non-Communist world's crude oil and control almost 70 per cent of the refinery capacity. All are active in western Europe, and all but two are American based.

Relative size of US and European oil firms

	Assets: ($ million 1965)
Standard Oil of New Jersey: (US)	13,073
Texaco: (US)	5,343
Gulf Oil: (US)	5,211
Royal Dutch Shell: (Netherlands/UK)	12,107
British Petroleum (UK)	3,856
ENI: (Italy)	2,451
Petrofina: (Belgium)	1,030
Compagnie Française des Pétroles: (France)	764

Source: C. LAYTON, *Trans-Atlantic Investment.*

The largest company is Standard Oil of New Jersey, whose products are better known by the name of Esso. This was the largest part of Rockefeller's Standard Oil empire after it was split up to avoid anti-trust legislation in the early years of the century. The other four American companies each only achieve about a half Esso's crude oil production, but are roughly equal in size among themselves. These are Texas Oil (Texaco), Gulf Oil, Standard Oil of California whose petrol, Chevron, is a relative newcomer to Europe, and Standard Oil of New York (Mobiloil).

The second largest company is the Anglo-Dutch Royal Dutch/Shell group, which is only slightly smaller than Esso. Its ownership is in fact split roughly 60:40 between the Dutch company, Royal Dutch, and the British company, Shell Transport and Trading. The Dutch company has substantial American (30 per cent), French (16 per cent) and Swiss (17 per cent) equity holdings in it as well as Dutch (30 per cent). In the United Kingdom, it has had since 1932 a working and marketing union with the third largest company, BP. However the association is being gradually severed and both BP and Shell will compete in the British market as they already do throughout the rest of the world. BP is unique among the majors in having a sizeable proportion of government capital; the British government has had a shareholding since 1913. The present holding is 49 per cent, but the company's operations are free from direct state intervention.

A challenge to the operations of the majors in Europe has come from two quarters. First, the state oil companies of France and Italy have provided strong opposition. In France the *Compagnie Française des Pétroles (CFP)* has secured a good share of the market, and its Total petrol is also to be found in other countries. Under the earlier enterprising leadership of Enrico Mattei, the Italian *Ente Nazionale Idrocarburi (ENI)* made its brand name of Agip something of a European legend. Second, spurred on by American import restrictions on foreign crude oil, the smaller United States companies have been vigorously invading the European market. Companies such as Continental (Conco and Jet), faced with considerable non-American sources of crude oil, have been forced to fight fiercely with cut-price tactics for alternative outlets, especially in Europe.

The supply of oil

The provision of oil to meet the large demand in western Europe is only a part of the world oil industry. Western Europe is, however, a special case, as it possesses virtually no oil resources of its own. Oil is consequently an important element in the import trade of Western European countries: over 96 per cent of total supplies are imported. Transport of these quantities of oil is a considerable problem. Refining of crude oil and distribution to consumers completes the chain of supply.

Sources of oil

Only 3.7 per cent of the Community's oil needs are met from indigenous sources and only a miniscule amount of the United Kingdom's. Within the Community, West Germany is the major oil producer, with a production of 7.9 million tons in 1969. France, the Netherlands and Italy together supplied a further 6 million tons.

In the mid-1960s, exploration for oil and natural gas began in the North Sea basin. Although the discoveries of natural gas have been to date the more impressive, considerable quantities of oil have been discovered. Early in 1970 a major find of oil was made just inside the Norwegian sector of the North Sea. This field, Ekofisk, is estimated to hold reserves of 140 million tons, which makes it one the largest single oil deposits in the world. Transport of this crude oil to markets remains a problem, with the technological difficulties of deep-water pipelines adding to those of cost. However, it is estimated that North Sea oil will be competitive with oil from other sources. Events during the winter of 1970-1971 have shown how precarious and potentially costly oil from the Middle East may become in future. The value of the North Sea as an alternative supply of oil is at present unfortunately limited, and will probably not be able to meet more than 13 per cent of Britain's demand in the mid-1970s.

In 1969 the European Community imported some 358 million tons of crude oil, and the United Kingdom a further 91.2 million tons. Although there are some variations between individual members of the Community and Britain, the general pattern of oil imports is the same. The bulk of the imported oil comes from the Middle East and North Africa. The complete picture is seen in the following table:

Sources of imported oil in the European Community and the UK
(percentage of total oil imports)

Source	Belgium	France	West Germany	Italy	Netherlands	EEC	UK
Venezuela	9.0	2.7	4.3	2.4	1.8	3.4	6.1
USSR	—	2.1	3.9	9.1	—	4.1	—
Algeria	5.9	28.6	9.5	1.9	0.2	4.1	—
Libya	20.3	17.3	45.2	27.9	23.2	28.4	23.2
West Africa	2.5	3.5	2.0	—	7.9	2.7	5.9
Kuwait	13.3	9.1	3.3	17.2	20.3	11.9	28.3
Saudi Arabia	17.2	5.4	13.4	13.4	12.3	11.6	14.9
Iran	22.4	4.3	6.6	3.3	15.0	7.5	8.5
Iraq	5.7	17.2	2.6	18.0	11.9	12.1	4.1
Qatar	1.9	2.2	0.4	2.6	1.5	1.7	3.4
Other M. East	1.5	6.8	7.2	4.3	4.7	5.4	3.9
Others	0.2	0.8	1.4	—	1.4	0.7	0.5
OPEC members	82.7	87.0	85.3	86.6	86.1	87.0	89.6

Source: Oil Statistics OECD, 1969, Paris.
N.B. Percentage do not total to 100 because of rounding.

The Middle East supplied almost exactly half of the Community's oil and some 63 per cent of that imported by the United Kingdom. Within the Community, the major Middle Eastern producers were of roughly equal importance as suppliers, but the former British presence in the Persian Gulf is reflected in the large quantities of oil bought by Britain from Kuwait in particular.

North Africa is a more recent oil-producing area. Part of its importance to Europe lies in the fact that it is some 2,000 miles closer than most of the Middle East sources and transport costs are proportionally reduced. Former colonial ties account for the 28.6 per cent share of French imports coming from Algeria. Exploitation of oil-fields in Libya early in the 1960s, has seen Europe develop a marked dependence on this source. France, with nearly one fifth of its imports coming from Libya, is the least dependent on this oil, but West Germany has come to rely on over 45 per cent of its imports from this single source.

Limited amounts of oil are drawn from Latin America, because of traditional American dominance in this area and higher transport costs. West Africa, and in particular Nigeria, has begun to supply more oil to Europe. The small quantity of oil, some 14.6 million tons, supplied to the Six by the Soviet Union is of political rather than economic interest. Most of this oil is directed to West Germany and Italy.

The situation in which Europe has little oil but a large demand, and the oil-producing states themselves have little demand, inevitably has led to a conflict of interests. Europe, not unnaturally, has sought cheap sources of oil, whereas countries such as Kuwait and Libya rely almost totally on oil as a source of revenue. During the 1950s, a string of new oil discoveries undermined the potential bargaining position of individual oil-producing states in their negotiations with the oil companies. In 1960 the *Organisation of Petroleum Exporting Countries (OPEC)* was formed to try to redress the balance. The present members of OPEC are Algeria, Abu Dhabi, Indonesia, Iran, Iraq, Kuwait, Libya, Saudi Arabia and Venezuela.

Not until a new revolutionary regime in Libya, in tough negotiations with the oil companies, succeeded in winning a further share of 30 cents per barrel of oil produced, did OPEC make much headway. A world fuel shortage in 1970-1971, prevailing high costs of shipping, and the closure of the Syria-Persian Gulf pipeline combined to weaken the position of the oil companies. In February 1971, flushed by the Libyan success, the Persian Gulf members of OPEC won from the oil companies an increased level of taxation and a further share of 25 cents per barrel in the revenues from oil production. Further demands have been made, and the power that the OPEC countries have in their command of 80 per cent or so of the world's oil production, has been finally turned to financial advantage. The impact of such demands may be seen in that an increase of 25 cents per barrel adds about £75 million to the cost of Britain's oil.

Transportation

Transportation of oil is of great importance, although only composing about 9 per cent of the total cost to the consumer. Through a variety of developments, the costs of oil transportation have fallen relative to other costs. First, the greater use of pipelines has lowered the costs of oil transport, and secondly, both in pipelines and in ocean-going tankers, economies of scale have been achieved.

Pipelines have been developed to bring oil from interior oil-fields to the coast for shipment. A more recent development has been the use of pipelines to bring crude oil to refineries considerable distances away from the European coast-line. Although more expensive than tankers, pipelines do offer marked savings in cost over other transport media, and it is estimated that they are ten times cheaper than rail transport.

The larger pipelines become, the cheaper they are to operate, provided the pipe is full to capacity. The cost of transmitting oil through a 15 cm diameter pipeline, for instance, is twice that of using 20 cm pipe and four times that of a 30 cm pipe. Similarly, economies of scale can be reaped by increasing the size of oil tankers. In 1970 the costs of transporting oil from the Persian Gulf to the United Kingdom can be gauged from the following table, where minimum charter rates of tankers of different sizes are set out.

Charter rates for tankers on the Persian Gulf-UK run. 1970

Size of vessel	Cost per ton of oil
50,000 tons	\$ 4.91
90,000 tons	\$ 3.43
170,000 tons	\$ 2.54
250,000 tons	\$ 2.26

Source: Financial Times, 4 November 1970.

The prevailing size of tankers has risen. Such economies that the super-tankers can make have almost nullified the effects of the closure of the Suez Canal since 1967. In 1960 the average size of an oil tanker was around 50,000 tons, but by 1969, the average size of new tankers was well in excess of 120,000 tons.

Refineries

The post-war period has seen two major changes in the location of oil refineries. At the end of the war much of the world's refining capacity lay on or close to the oil-fields. Since then a combination of political, strategic and economic factors has caused a large expansion of refinery capacity in Europe. The second major change has followed in the 1960s within the European market. There has been a move towards inland locations for refineries, still closer to market centres.

Government incentives spurred the building of Europe's first post-war refineries, but economic factors were already making such market locations attractive. Continued expansion of demand for a wide range of oil products followed an immediate fuel shortage. Post-war exploration proved oil-fields in a number of new areas, but most of the new refinery capacity was located in Europe. This enabled the supply of crude oil to the refineries to be switched from one source to another without lengthy cross-hauls of oil from one field to a refinery on another. The increasing economies of scale in tanker operation also provided a major stimulus to European refinery construction. Crude oil could be more cheaply transported in larger tankers but the same volume of oil when refined would need several tankers, each of smaller size, to convey the various products separately.

To these powerful economic arguments were added strategic and political ones. Nationalisation of the Abadan refinery in Iran in 1952 showed how precarious assets in producing nations could be. Events following the Suez crisis of 1956 and the Six-Day War of 1967 have also emphasised the vulnerability of oil supplies to disruption. To safeguard against the instability which characterises some of the producing countries, the oil companies have tended to favour market locations for refineries.

The sites of the earliest post-war refineries, such as Fawley in the United Kingdom and Marseille in France, were coastal in location. The increasing size of tankers rapidly reduced the number of potential refinery sites and caused problems at existing centres. In the United Kingdom, Milford Haven was chosen as the site for three refineries because of its deep water, whilst it also served as a terminal for the existing refinery at Llandarcy (Swansea) to which it was linked by pipeline. Southampton Water was dredged to give Fawley deeper water facilities, and Fos has been developed as a deep-water terminal for Marseille. Rotterdam's Europort has been built specifically to accommodate super-tankers. Such has now become the size of tankers, that the deep water of Bantry Bay in S.W. Ireland, has been used as a trans-shipment point for vessels upwards of 200,000 tons to off-load crude oil into smaller tankers for distribution to existing refineries.

Economies of scale in the use of pipelines for the movement of crude oil, have also influenced the location of refineries. Within Europe the use of crude oil pipelines has enabled refineries to be set up at inland markets, e.g. Ingolstadt in southern Germany. It is linked to terminals both at Genoa and at Trieste by pipelines, and can currently receive up to 21 million tons of crude oil per year.

In 1969 the European Community, with a capacity of 481.8 million tons and the United Kingdom with a further 109.3 million tons had just under a quarter of the world's refinery capacity. The largest share within the Community was that of Italy, with 164.4 million tons, whilst both West Germany and France were roughly equal with Britain. The distribution of the major refinery centres and crude oil pipelines is seen on the map.

Distribution of refined petroleum products is still largely by road and rail tanker. However, the good network of canals in the Community permits much oil to be moved by barge. Britain, being an island, has a large proportion of its oil distributed by small coastal tanker to depots, and thence by road and rail. Oil-product pipelines are becoming more numerous, but need a large demand to be truly competitive. Thus petro-chemical works, such as Severnside in Britain, and airports are sometimes linked to refineries by product pipelines.

Note: Throughout, oil tonnages quoted have been in metric and not English tons.

Further reading :

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