

Week of November 9 to 14

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ECONOMY : Where are we, where are we going ?

In recent times caution has become something of a virtue among economists. Recent developments have in fact proven repeatedly how risky it is to make predictions about the course of the economy. In its turn, the European Commission has also just had this type of experience. It has just recognised this in its economic report for 1981/82. This is a yearly report which attempts to analyse the results of the past year and make some forecasts about the coming year. This new report confirms that the economic situation in Europe continued to deteriorate in 1981, running counter to the predictions of the European Commission the previous year. According to its predictions, interest rates should have come down in 1981, whereas in reality they experienced a spectacular rise of 34 percent in one year, a highly-unexpected development. A number of major import items, most notably oil, which are priced in dollars, increased a total of 16,5 percent in 1981. The result will be that the Commission expects consumer prices to rise much faster than originally forecast, from 9.7 percent to 11.3 percent. The fight against inflation therefore made little headway in 1981.

In addition, the Commission had issued predictions for an increase of about 2 percent in internal private consumption and for a rise of 2.5 percent in exports to non-Community markets. It has become clear by now that internal consumption suffered a slight drop, but that on the other hand Community exports will rise by about 4.5 percent for the whole of 1981 and the balance of payments deficit is roughly equal to 1980.

All this just goes to show that in the economic field, a number of unpredictable external factors must be counted on, such as the price of oil, the dollar exchange rate or the changes in interest rates. But even so, the European Commission's annual economic report remains a useful instrument that provides a basis for member states to define the general outlines of their economic policies.

The two orientations which confront each other at the present time are the struggle against inflation and the need to create employment. The Commission is known to have tipped slightly toward the second priority. It hopes that the policies envisaged will allow unemployment to stabilise around 8.5 percent of the labour force in Europe during the second half of 1982. But even then, it only amounts to an estimate.

TECHNOLOGY: For or against work?

One of the greatest dilemmas of modern times results from the introduction of new technology. In recent decades, scientific and industrial innovations have completely overturned styles of living. The airplane, television and computer are but a few examples of systems introduced in the past. But the future is rushing toward us at such speed that societies and economies must be prepared for this "future shock".

The controversy involving technology revolves around its impact on employment and on life styles. On the one hand, modernisation is a necessity which cannot be denied in this dynamic and competitive world. For example, Europe's automobile output is falling drastically behind the Japanese production, largely because of the Japanese introduction of modern robot devices in their plants. Yet there is understandably considerable resistance to the introduction of these "tools of the future" in Europe because it is feared they inevitably will mean reduction or at least displacement in the work force. When a machine can do the work of several workers, what do the workers do? Obviously, both sides of this complex and important question need to be seriously examined.

This is exactly the process that got underway recently in Brussels when the European Community's Standing Committee on Employment held one of its regular meetings and devoted it entirely to the impact of modern technology on society and the economy. The Committee is a tripartite advisory group between the principals in society - government, employers and workers. The dialogue that took place was necessary but difficult because of the widely different viewpoints of some of the participants. The meeting also took place at about the same time the Community Council of Ministers was committing the Community to a new and hopeful programme of aid to the micro-electronics industry.

Most industrial participants and some Government leaders saw a vital need to press forward towards modernisation without denying the crucial importance of resolving the employment side-effects of such development. Representatives of the European Trade Union Confederation (ETUC) put more emphasis, naturally, on the need for workers and unions to take part in the planning and decisions leading to the introduction of new technologies in order to minimise or prepare for possible unemployment. European Commissioner for Employment and Social Affairs Ivor Richard said that future sessions would be held between employers and union representatives to explore the possibility of negotiating outline agreements between them on the introduction of technology that would be beneficial to both. The task will become more and more crucial as the need for modernisation grows at the very same time that unemployment is expected to climb as well.

EXTERNAL RELATIONS : A step forward in links with China

For a long time now, Western perception of the Chinese people has been coloured by the stereotypes created by such popular works of fiction as the detective books dealing with the adventures of Fu Manchu and Charlie Chan. The Chinese characters in these books are cunning and cruel; the men wear pigtaails and the women still have their feet bound up...

These images of China have disappeared as the West, encouraged by China's efforts at modernisation, has had time to take a better look at what really goes on in China. Today, China - with its vast resources - has become a major commercial partner for industrial powers all over the world.

The European Community signed its trade agreement with China in April 1978, which was followed one year later by an agreement on textiles. But, despite these trade pacts, European exports to China fell by about 20% in 1980.

The first six months of 1981, however, have seen a more encouraging European trade performance in China. Although the total value of European imports from China is still slightly higher than EEC exports to the country, the general climate appears to be more favourable to the development of EEC-China trade.

Negotiations for improvements in the 1982 trade regime are currently under way. Chinese and European delegations met in Peking, November 12 and 13, to analyse the operations of the agreement and to attempt to strengthen bilateral cooperation, particularly in the industrial and energy sectors. The Community was careful to analyse whether the clause ensuring that Community products are given priority compared with those imported from Japan or the United States was actually applied by the Chinese. In the energy sector, cooperation will focus, in the first stage, on the formation of specialists, scientific research and technical assistance. Later, cooperation could be extended to include oil and coal supplies. Industrial cooperation between the two sides will focus on following up on the contacts established during the EEC-China business week held in Brussels from March 30 to April 10 this year (see Eurofocus n°14/81).

ENVIRONMENT: What's good for the environment is good for the economy

Environmental protection, during the forthcoming years of continuing economic difficulty, is aiming to show a more practical side than in the past. While environmental and ecological supporters in the past were convinced that combatting pollution made good economic sense, they had trouble fighting off the charges by reluctant industries that additional costs and unemployment were associated with such clean up measures. Environmentalists argued that sound ecological practices cut waste and cost less than having to repair damage done later. Industrialists, however, countered that environmental safety standards and regulations were added cost burdens that hampered their operations and led to higher unemployment.

In order to adjust to this perception as well as to economic reality, the European Community has indicated that it will shift the orientation of its environmental programmes and policies in the coming years. In this way, the Community approach would adapt to sound economic needs as well as to environmental requirements and there should be no room for doubt about its viability. This was the main thrust of the third multiannual environmental action programme proposed for the entire Community recently by the European Commission in Brussels.

Basically, it continues the joint activities of the Community inspired by the Paris summit meeting in 1972. But the emphasis will also be placed on a number of other approaches that highlight the need to combat economic stagnation. Therefore, extra importance will be placed on projects and policies in fields such as energy saving and alternative sources of energy which not only have the advantage of reducing Europe's dependence on costly imported oil but which also represent a new and promising growth industry that could provide additional jobs. Other industries that use new clean technologies will also be encouraged by Community activities. Closer attention will also be given to efficient waste management that will seek to turn waste into a valuable resource through recycling and other techniques. And stress will be placed on products that use fewer raw materials. All this will coordinate well with the major effort on the way to stimulate industrial innovation in the Community to enable it to compete in world markets.

Other major elements of the new action programme include sound agricultural practices, protection of the Mediterranean - of interest to the growing number of Community countries in the region - and a monitoring of the recent law adopted to protect against toxic chemicals.

DEVELOPMENT: Need to streamline European food aid

The European Community's 800 million dollar food aid programme for the developing countries is in urgent need of review and reform if further misuse of funds and fraud are to be avoided, according to a report on EEC food aid management published recently by the EEC Court of Auditors.

The Court of Auditors was set up in July 1975 and began operations in June 1977. Its main objective is to monitor the legality and regularity of all Community financial operations, thus becoming the financial watchdog of Europe.

The Court points out that if European food aid is to be more than a means of getting rid of agricultural surpluses it should make a permanent contribution to solving world food shortages. EEC food aid has not always done this.

In its evaluation of emergency food aid shipped to Third World countries by the European Community, the Court stresses the need for more flexible machinery which allows swift action. An appeal for more on-the-spot supervision of the distribution of food aid is also made by the Court. It notes that some consignment of food aid which took three months to arrive in the recipient countries were still lying in store at the port of unloading two months later for lack of available transport to the place of distribution.

Some of the food aid consignments have also been known to "disappear" en route to the country of destination, or to rot in store. The Court also points out that "in another country visited a large part of the aid was diverted from its humanitarian purpose and used for the profit of politicians and high officials".

A certain number of concrete suggestions for reform of food aid procedures is also made by the Court. It is recommended, for instance, that instead of being decided on a year-by-year basis, food aid by the EEC should be subject to a medium-term indicative programme for each recipient country, with the rights and obligations of both parties clearly defined in advance.

The Court - like the European Commission - also recommends that food aid granted by the EEC should be made conditional on the compliance by developing countries of certain farm policies which encourage the development of local agriculture, and prevent rural exodus.

Emphasis in the report is also put on instances of poor quality of food being shipped to the Third World nations. Developing countries, says the Court, have received weevil-infested wheat, and rice, rancid butteroil, and milk and badly packaged milk powder.

Some of the recipient countries do not complain when there is loss or damage because they consider that this would not be polite when they are receiving a gift. It is therefore up to the EEC itself to step up its own supervision of the quality and distribution of the food aid it sends to the Third World.

IN BRIEF... IN BRIEF... IN BRIEF... IN BRIEF... IN BRIEF... IN BRIEF...

INDUSTRY: The sun smiles on European aircraft

The European aviation industry cannot be classified as a lame-duck sector like so many others in distress these days. Just the opposite. Not only has the employment level been stable during the 1970s at about 420,000 persons, but sales have also increased by about 4.5 percent per year. This growth reflects a boost in productivity in the European aerospace industry in contrast to major American competitors. This improvement is partly due to the international success of the Airbus series, which nevertheless involves only about 30,000 persons.

But despite this success, the share of the European Community market for civilian aircraft held by European producers in 1979 was only about 30 percent compared with the 70 percent portion held by American planes. But there is now hope this new surge will allow European planes to take their rightful place in European skies.

CONSUMERS: Diamonds have not lost their sparkle

Does the economic crisis really exist? There is evidently some doubt when it becomes evident that imports of cut diamonds from the Soviet Union by Belgium, Germany and Luxembourg increased by more than 40 percent between 1979 and 1980. In 1980, these three Community member states together bought nearly 470,000 carats representing a value of some £ 162 million. And these were only gems destined for non-industrial use, that is primarily for cosmetic use in jewelry. Jewelers and other craftsmen were probably pleased to observe that even if the economic crisis exists, it doesn't seem to have been noticed by their customers.

INSTITUTIONS: Greenland on the way out

Probably many persons don't realise that Greenland entered the European Community in 1973 at the same time as Denmark. Since then, the Community has granted substantial and regular aid to this big island, whose primarily fishing interests are defended in the European Parliament by an Eskimo member and in the Council of Ministers by Denmark.

The party currently in power in Greenland is nevertheless in favour of withdrawing from the Community. And the public itself will be called on to decide during a referendum on the subject on February 23, 1982.